
GRANBERO HOLDINGS LTD

IFRS CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2018

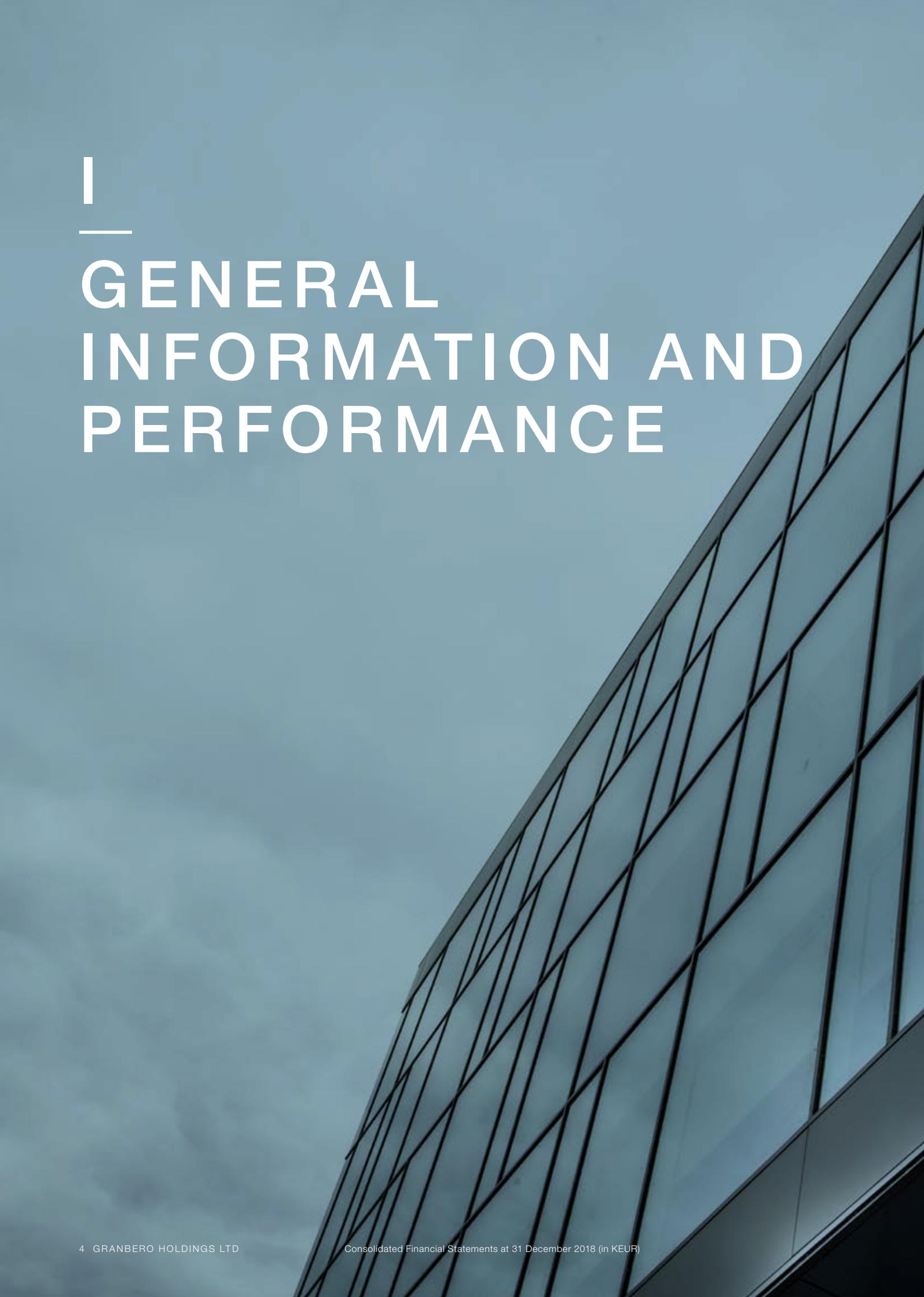
Approved by Management with the independent Auditor's opinion



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Annex 1: Independent Appraiser Reports (available on request)



I
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GENERAL
INFORMATION AND
PERFORMANCE

1. BUSINESS ACTIVITIES AND PROFILE

Granbero Holdings Ltd (as the legal Cyprus entity with all its Polish subsidiaries) represents the Polish activities of the Ghelamco Group, a leading European real estate investor mainly active in the offices, residential, leisure, retail and logistics markets.

As Granbero Holdings acts in Poland under the commercial name Ghelamco, we refer hereafter to Granbero Holdings under the reference 'Ghelamco'.

Ghelamco maintains a high quality internal control with respect for agreed milestones over all its project development phases: land purchase, planning, coordinating the construction phase and sale or lease. Its projects combine prime and strategic locations with efficient and aesthetically inspiring designs and correct timing.

Ghelamco group's successes are generated by the group's professional and enthusiastic staff that is driven by the vision and passion of its management.

Ghelamco is one of the largest commercial property developers and investors in Belgium and Poland and has realised a steep growth over the last number of years. The group's market position has been recognized by numerous prestigious awards, collected over several years and granted both to the company and to many of its projects.

Ghelamco Poland received three awards at CIJ Awards 2018. Wronia 31 office project was chosen as 'Leading Green Building Development'. The sale of Warsaw Spire, the tallest tower in CEE, was chosen as the 'Best Investment Transaction' of the year. The jury also recognised Ghelamco's social activity on Plac Europejski, which has – thanks to the developer's efforts – become an important cultural and entertainment centre of Warsaw's Wola district.

In addition, the Warsaw HUB, multifunctional project of 117,000 sqm, has been awarded as the 'Best commercial High-Rise Development' together with a 'Five Star Award' at the prestigious European Property Awards.

Ghelamco's business activities are structured in four major holdings under common control of the ultimate beneficial owners (jointly referred to as "**Ghelamco**"):

- **Investment Holding:** comprises resources invested in real estate projects in Belgium, France, Poland, Russia and Ukraine and the intra-group Financing Vehicles – hereafter the "Ghelamco Group", the "Investment Group" or the "Group";
- **Development Holding:** represents international entities that provide construction, engineering and development services to the Investment Holding;
- **Portfolio Holding:** consists of all other activities and real estate investments controlled by the ultimate shareholders.
- **Ghelamco European Property Fund:** keeps in first instance real estate projects as income generating products in portfolio for a longer time period. This allows the Investment Holding to realise and sell delivered projects, for which the occupation rate and lease status has been optimized in the past years, at an optimal market value. This longer-term strategy also demands a specific (long-term) financing structure. The fund is not regulated but acts as a separate legal entity within the group.

2. LEGAL STATUS

Granbero Holdings Ltd (the “Company”) is the holding company of the Polish activities of Ghelamco Group Comm. VA, which is in turn the holding company of the **Investment Group**. Granbero Holdings Ltd, together with its subsidiaries (Note 5), constitute the reporting entity for the purpose of these financial statements.

Granbero Holdings Ltd is a limited liability company registered under Cypriot law, with its registered office at Arch. Makariou III, 229, Meliza Court, 3105 Limassol, Cyprus.

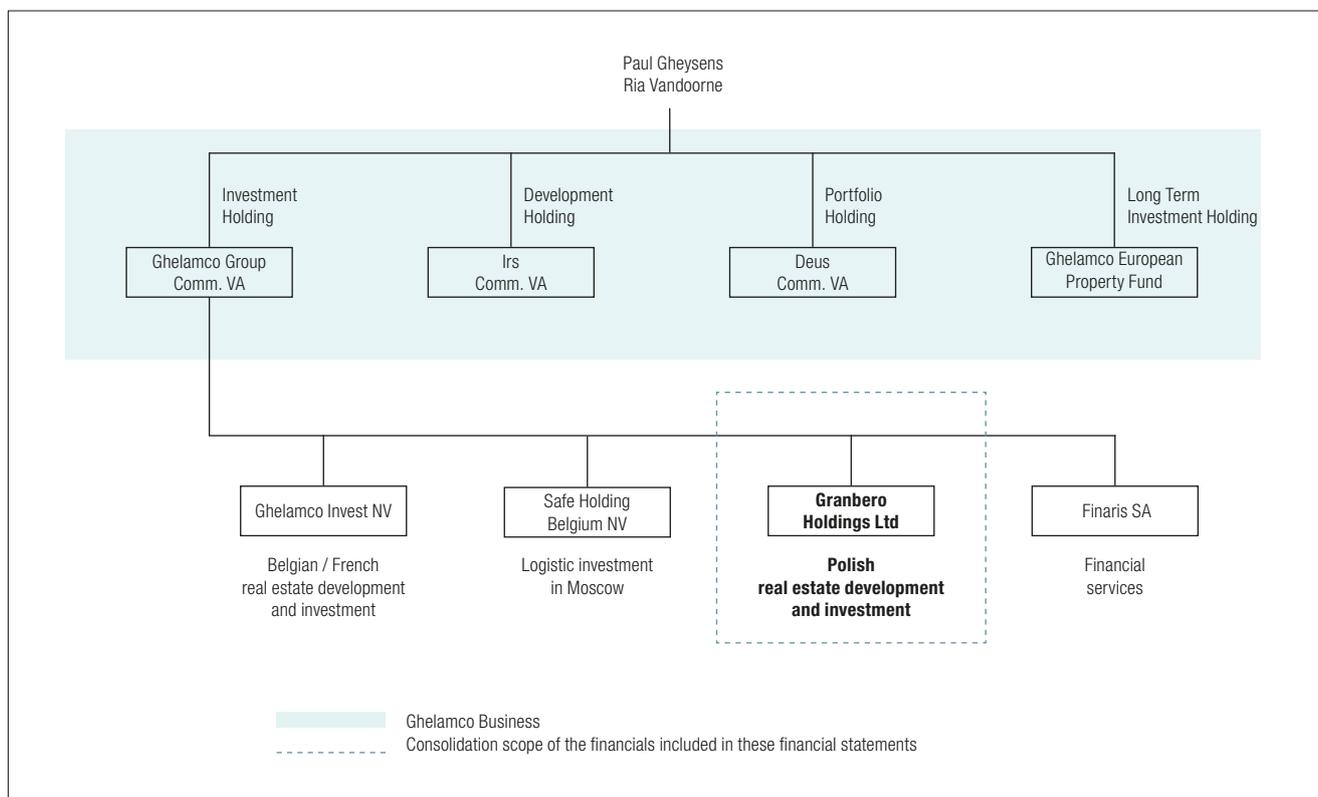
The Company is registered in the Cypriot commercial register under the number HE183542.

3. CONSOLIDATION SCOPE

These consolidated financial statements comprise the resources and activities of the Company and its legal subsidiaries.

At 31 December 2018 (the reporting date), all the assets and liabilities of the reporting entity (the Company and its direct and indirect legal subsidiaries) are legally linked through a corporate structure that was introduced in 2006 and was accomplished prior to 31 December 2007 (overview in Note 5).

All assets, liabilities, income and expenses that represented an integral part of the Granbero Holdings activities, are included in the accounts of the legal subsidiaries of the Company at 31 December 2018 and at 31 December 2017.



4. STAFFING LEVEL

Given its nature, there is no employment in the Company. The construction, engineering and other related services are mainly provided to the Company by the Development Holding's legal subsidiaries. Ghelamco as a whole employed 304 people on 31 December 2018 (vs. 294 on 31 December 2017).

5. BOARD AND MANAGEMENT COMMITTEE

The statutory board of the Polish entities consists of 5 board members: the Managing Director Eastern Europe (president of the board) and the local Financial, Commercial, Legal and Investment Directors.

The Company's Management consists of:

- Mr. Paul Gheysens (Chief Executive Officer)
- Mr. Simon Gheysens (Chief Business Intelligence, Technology and Project Design Officer)
- Mr. Michael Gheysens (Chief Commercial and Business Development Officer)
- Mr. Philippe Pannier (Chief Financial Officer)
- Mr. Chris Heggerick (Chief Operational Officer)
- Mr. Jeroen van der Toolen (Managing Director CEE)

The Financial, Commercial, Legal, Technical and Investment Directors.

The Management actively coordinates and supervises the different teams and supports them in all commercial, legal, financial and technical aspects of their activities.

The Polish teams consist of a technical, commercial, legal & financial department.

6. BUSINESS ENVIRONMENT AND RESULTS

6.1. 2018 PERFORMANCE AND RESULTS

The Company closed its 2018 accounts with a net profit of 25,795 KEUR. This is the result of its continued development, construction and commercialisation efforts. The Company has in the current period mainly invested in a number of existing projects (mainly the Warsaw HUB, Big in Krakow and the Warsaw Unit) and was able to create considerable added value on its projects portfolio. The balance sheet total decreased (by 92,813 KEUR) to 1,173,613 KEUR, while the equity increased (by 29,223 KEUR) to 725,890 KEUR. As a result, the solvency ratio considerably increased (from 55% at 31 December 2017) to 61.9%.

Land bank

In Poland, the Company in first instance maintained its existing land bank but also took advantage of some expansion opportunities.

In this respect, on 5 July 2018 Ghelamco GP 1 Azalia signed a preliminary purchase agreement for the acquisition of a land plot in Warsaw CBD. Closing of the acquisition is expected in the coming months.

Development and construction

The investing activities in Poland during 2018 have mainly been focused on:

- The continued design activities, engineering and construction of the Warsaw HUB project at Rondo Daszynskiego, comprising 3 towers on a podium with retail function of approx. 117,000 sqm in Warsaw CBD. The delivery is expected by end of Q1 2020.

- The further construction works and finalisation of the Big project (Krakow), totalling approx. 10,200 sqm of office space and two levels of underground parking lots (141 parking spaces). In September 2018, the building occupation permit has been received. Per end 2018, over 90% of the available office space has been leased and shortly after year-end the project has been sold to a third party investor.
- The progressed construction works on the Foksal project, including the renovation of the historic buildings, located in the historic heart of Warsaw. The project comprises the realisation of 55 high-class apartments (approx. 6,424 sqm in total) and commercial space of approx. 595 sqm. Per date of the current report, approx. 30% of available residential units have already been pre-sold.
- Finalisation of the underground works and start of the above ground construction works of the Warsaw Unit, 59,000 sqm offices project at Rondo Daszynskiego in Warsaw. The project is expected to be delivered in Q1 2021.
- In the course of 2018, building permit(s) have been received for the construction of Nowe Soho previously called Nowe Centrum Łodzi, approx. 78,400 sqm phased project which will offer office, hotel, retail and residential space in Lodz.

(Pre-)leasing and occupation of projects:

Continued leasing efforts have resulted in an occupation rate of approx. 89% (signed expansion options included) for the recently delivered Wronia project in the close vicinity of the Warsaw Spire and Plac Europejski Square and a lease rate of approx. 90% for the delivered Woloska 24 project located in the Mokotow district of Warsaw.

In addition the Big project in Krakow has per end December 2018 been leased for over 91% and the Vogla (retail) project is leased at approx. 88%.

In the Warsaw HUB project, in addition to the hotel contract, lease agreements with a fitness club operator, agreements for a co-working space, office space, cafeteria and restaurant have been signed, while negotiations with potential tenants of commercial and office sections are pending. In total, lease agreements were signed for approx. 37,300 sqm (and taking into account signed extension options, the level of rented space is approx. 41,200 sqm).

Divestures

There have been no divestures of investment property projects during 2018.

Current period's residential sales revenues mainly related to the further commercialisation of the Woronicza Qbik project (355 residential soft lofts and 16 ground floor commercial units, in the Mokotow District of Warsaw). Per end December 2018 over 98% of available units have been sold.

Outlook

It is the Company's strategy to further diversify its development portfolio by spreading its developments over different real estate segments.

For 2019, the Company will continue this strategy. In addition, it will closely monitor specific evolutions in its active markets and real estate segments. Considering its sound financial structure and the expected further market evolutions (in terms of tenant activity and evolution in yields), the Company is confident to achieve its goals for 2019 in general.

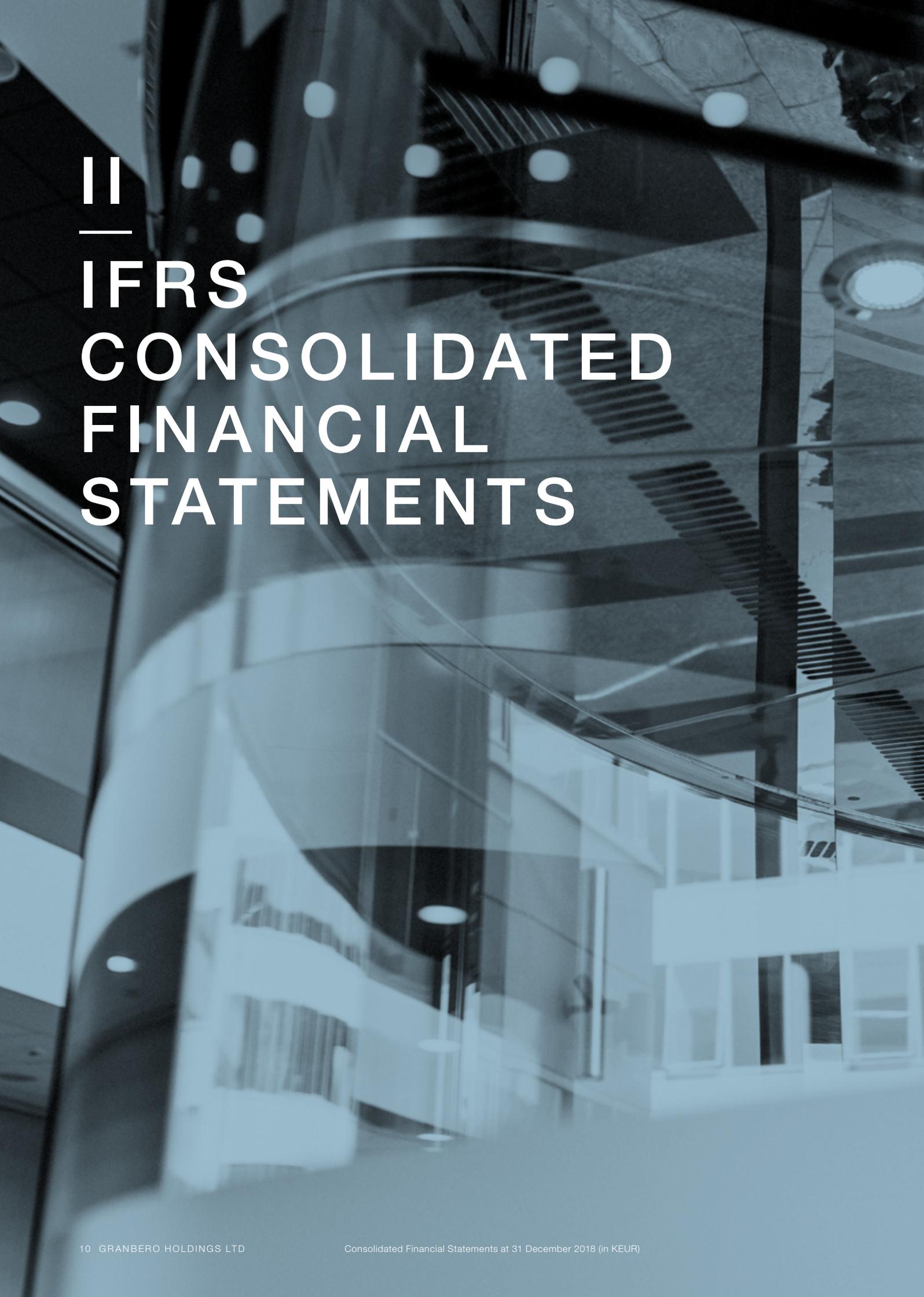
7. NOTICE TO THE READER

This document presents the IFRS Consolidated Financial Statements for the year ended on 31 December 2018, assuming the going concern of the consolidated companies.

As per today, the Company's core business is the development of and investment in commercial and residential properties. The Company's strategy is to keep commercial property in portfolio for rental purposes while residential properties are dedicated for sale.

According to IAS 2, Property Development Inventories have to be measured at the lower of cost and net realizable value. Investment Properties (Under Construction) are carried at fair value.

As such, residential properties are presented as Property Development Inventories. Most of the commercial property is presented as Investment Property. We refer to the Notes 6 and 7 in Part II for more details on their presentation.



II
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IFRS
CONSOLIDATED
FINANCIAL
STATEMENTS

These IFRS consolidated financial statements at 31 December 2018 were approved by the Company's Management on 27 March 2019. The amounts in this document are expressed in thousands of EUR (KEUR), unless stated otherwise.

A. CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IN KEUR)

ASSETS	Note	31/12/2018	31/12/2017
Non-current assets			
Investment Property	6	566,636	436,339
Property, plant and equipment		329	392
Equity accounted investees	8	0	0
Receivables and prepayments	9	316,658	461,407
Deferred tax assets	16	2,671	5,602
Non-current assets held for sale		0	0
Other financial assets		139	193
Restricted cash		0	0
Total non-current assets		886,433	903,933
Current assets			
Property Development Inventories	7	62,058	70,390
Trade and other receivables	9	163,614	203,727
Current tax assets		26	148
Derivatives		0	0
Assets classified as held for sale	6	29,169	0
Restricted cash		0	0
Cash and cash equivalents	11	32,313	88,228
Total current assets		287,180	362,493
TOTAL ASSETS		1,173,613	1,266,426
Capital and reserves attributable to the Group's equity holders	Note	31/12/2018	31/12/2017
Share capital	12	67	67
Share premiums	12	495,903	495,903
CTA	13	877	-2,593
Retained earnings	13	229,043	203,289
		725,890	696,667
Non-controlling interests	12.2	7	7
TOTAL EQUITY		725,897	696,674
Non-current liabilities			
Interest-bearing loans and borrowings	14	289,609	431,155
Deferred tax liabilities	16	25,909	15,826
Other non-current liabilities	17	7,029	2,249
Long-term provisions		0	0
Total non-current liabilities		322,547	449,230
Current liabilities			
Trade and other payables	18	42,291	40,272
Current tax liabilities	19	1,466	1,382
Interest-bearing loans and borrowings	14	81,412	78,868
Short-term provisions		0	0
Total current liabilities		125,169	120,522
TOTAL LIABILITIES		447,716	569,752
TOTAL EQUITY AND LIABILITIES		1,173,613	1,266,426

B. CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

CONSOLIDATED STATEMENT OF PROFIT OR LOSS	Note	2018	2017
Revenue	20	12,102	21,701
Other operating income	21	13,075	13,980
Cost of Property Development Inventories	22	-514	-5,191
Employee benefit expense		-320	-307
Depreciation amortisation and impairment charges		-20	-26
Gains from revaluation of Investment Property	6	38,413	30,427
Other operating expense	21	-20,587	-23,405
Share of results of joint-ventures		0	-2
Operating profit - result		42,149	37,177
Finance income	23	16,588	25,015
Finance costs	23	-18,990	-30,178
Profit before income tax		39,747	32,014
Income tax expense/income	24	-13,952	-7,689
Profit for the year		25,795	24,325
Attributable to:			
Owners of the Company		25,795	24,325

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	Note	2018	2017
Profit for the year		25,795	24,325
Exchange differences on translating foreign operations	15	3,470	-15,097
Other		-31	-15
Other comprehensive income/(loss) of the period		3,439	-15,112
Total Comprehensive income/(loss) for the year		29,234	9,213
Attributable to:			
Owners of the Company		29,234	9,213
Non-controlling interests		0	0

C. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to the owners of the Company			Non-controlling interests	TOTAL EQUITY
		Share capital + share premium	Cumulative translation reserve	Retained earnings		
Balance at 1 January 2017		495,970	12,504	179,053	7	687,535
Capital increase						0
Foreign currency translation (CTA)			-15,097			-15,097
Profit/(loss) for the year				24,325		24,325
Dividend distribution						0
Change in non-controlling interests						0
Change in the consolidation scope				-74		-74
Other				-15		-15
Balance at 31 December 2017		495,970	-2,593	203,289	7	696,674
Capital increase	13					0
Foreign currency translation (CTA)	13		3,470			3,470
Profit/(loss) for the year	13			25,795		25,795
Dividend distribution						0
Change in non-controlling interests	12.2					0
Change in the consolidation scope	13			-10		-10
Other	13			-31		-31
Balance at 31 December 2018		495,970	877	229,043	7	725,897

D. CONSOLIDATED CASH FLOW STATEMENT

CONSOLIDATED CASH FLOW STATEMENT FOR 2018 AND 2017	Note	2018	2017
Operating Activities		39,748	32,014
Profit / (Loss) before income tax			
Adjustments for:			
• Change in fair value of investment property	6	-38,413	-30,427
• Depreciation, amortization and impairment charges		20	26
• Result on disposal investment property			-8,047
• Net interest charge	23	-3,815	6,812
• Movements in working capital:			
- Change in prop. dev. inventories		-4,807	-7,140
- Change in trade & other receivables		-1,909	-14,182
- Change in trade & other payables		3,977	1,175
• Movement in other non-current liabilities		4,780	333
• Other non-cash items		-149	-409
Income tax paid		-732	-1,345
Interest paid (*)		-22,712	-39,503
Net cash from operating activities		-24,012	-60,693
Investing Activities			
Interest received	23	19,386	20,331
Purchase / disposal of property, plant & equipment		43	-178
Purchase of investment property	6	-80,579	-52,540
Capitalized interest in investment property paid	6	-12,376	-8,490
Proceeds from disposal of investment property	6		598,205
Cash in- / outflow on other non-current financial assets		-30,020	-63,708
Net cash flow used in investing activities		-103,546	493,620
Financing Activities			
Proceeds from borrowings	14	130,929	92,591
Repayment of borrowings	14	-66,328	-436,284
Net cash inflow from / (used in) financing activities		64,601	-343,693
Net increase/decrease in cash and cash equivalents		-62,957	89,234
Cash and cash equivalents at 1 January of the year		88,228	37,564
Effects of exch. rate changes (mainly on EUR/USD balances in non-EUR countries)**)		7,042	-38,570
Cash and cash equivalents at 31 December of the year		32,313	88,228

(*): Interests directly capitalized in IP not included (2018: 12,376 KEUR, 2017: 8,490 KEUR) – separately presented under investing activities

(**): In prior year to a significant extent related to realized FX gains in connection with the disposal of the Warsaw Spire project

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the IFRS consolidated financial statements, are set out below.

1.1. INTRODUCTION

We refer to the section “General Information: business activities” and Note 5 “Organizational chart” of these financial statements for more information on the business activities and the structure of the Company and its position within the Ghelamco business.

These financial statements are IFRS consolidated financial statements that include the resources and activities of Granbero Holdings Ltd and its legal subsidiaries that are part of the Ghelamco Investment Group at 31 December 2018.

A list of legal entities included in these IFRS consolidated financial statements and major changes in the organizational structure of the reporting entity are outlined in Notes 4 and 5.

1.2. BASIS OF PREPARATION

These consolidated financial statements include those of the Company and its subsidiaries. The consolidated financial statements were approved for issue by Management on March 27, 2019. The consolidated financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards (“IFRS”) as adopted by the European Union at 31 December 2018. The Company has adopted all new and revised standards and interpretations relevant for its activities and which became applicable for the financial year starting 1 January 2018.

These financial statements have been prepared under the historical cost convention except for Investment Properties and derivative financial instruments that have been measured at fair value.

1.3. STANDARDS AND INTERPRETATIONS THAT BECAME APPLICABLE IN 2018

Standards and Interpretations that the Company anticipatively applied in 2017 and 2018:

- None

Standards and Interpretations that became effective in 2018:

- Amendments to IAS 40 Transfers of Investment Property
- Annual improvements to IFRS Standards 2014-2016 Cycle: Amendments to IFRS 1 and IAS 28
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRS 9 Financial Instruments and subsequent amendments
- IFRS 15 Revenue from Contracts with Customers

IFRS 9 Financial Instruments published in July 2014 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a

new Expected Credit Loss (ECL) model for calculating impairment on financial assets, and the new general hedge accounting requirements, which align hedge accounting more closely with risk management. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

The Company applied this standard as from 1 January 2018. This adoption has not generated significant impact on the financial statements of 31 December 2018.

IFRS 9 requires the Company to recognize expected credit losses on its financial assets through the application of default impairment percentages on (mainly trade) receivables. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

The Company has encountered no or very limited defaults and has opted for the simplified approach. Loss allowances for trade receivables and contract leases are therefore always measured at an amount equal to lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. In determining the amount of credit losses the Company has considered both quantitative and qualitative information and prepared an analysis, based on the Company's historical experience and macro-economic information including forward-looking information.

Based on the analysis performed, the Company did not identify material impairment losses on the date of initial application or at year-end 2018.

The Company assessed the credit risk for non-current receivables low, as most of the outstanding non-current receivables are linked to related parties. Therefore, any loss allowance as a result of applying the ECL model would not have a material impact on the income statement.

IFRS 15 Revenue from Contracts with Customers, establishes a unique and all-encompassing model of principles that an entity must apply to account for income arising from a contract with a customer. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and their corresponding interpretations. IFRS 15 is effective for the annual reports beginning on or after 1 January 2018, with early adoption permitted, and has been endorsed by the EU, so as its clarifications (issued on 12 April 2016).

The Company has adopted this standard as from 1 January 2018, according to the retrospective method (modified) without practical exemptions. This adoption has not created any significant impact on the balance sheet or the income statement of the company. The various flows of income for the Company mainly relate to rental incomes that are covered by IFRS 16 (in 2018 still IAS 17), and residential sales which are covered by IFRS 15.

Analysis of the new IFRS 15 criteria has indicated that land and construction related to a residential unit both together constitute a single performance obligation. In addition, in accordance with relevant local laws and regulations, transfer of control for residential units is at delivery. For that, revenue in respect of residential sales (which is in the income statement shown on the line item Revenue) is recognized at delivery or completion of contract.

Standards and Interpretations which became effective in 2018 but which are not relevant to the Company:

- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions
- Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

1.4. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Standards and Interpretations issued at the date of these IFRS consolidated financial statements, which were authorized for issue but not yet mandatory and have not been early adopted by the Investment Holding:

- Amendments to IAS 1 and IAS 8 Definition of Material (applicable for annual periods beginning on or after 1 January 2020, but not yet endorsed in the EU)
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement (applicable for annual periods beginning on or after 1 January 2019, endorsed in the EU in February 2019)
- Amendments to IAS 28 Long term interests in Associates and Joint Ventures (applicable for annual periods beginning on or after 1 January 2019, endorsed in the EU in February 2019)
- Amendments to IFRS 3 Business Combinations (applicable for annual periods beginning on or after 1 January 2020, but not yet endorsed in the EU)
- Amendments to IFRS 9 Prepayment Features with Negative Compensation (applicable for annual periods beginning on or after 1 January 2019)
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (the effective date has been deferred indefinitely, and therefore the endorsement in the EU has been postponed)
- Amendments to references to the Conceptual Framework in IFRS standards (applicable for annual periods beginning on or after 1 January 2020, but not yet endorsed in the EU)
- Annual improvements to IFRS Standards 2015-2017 Cycle (applicable for annual periods beginning on or after 1 January 2019, but not yet endorsed in the EU)
- IFRIC 23 Uncertainty over Income Tax Treatments (applicable for annual periods beginning on or after 1 January 2019)
- IFRS 14 Regulatory Deferral Accounts (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in the EU)
- IFRS 16 Leases (applicable for annual periods beginning on or after 1 January 2019)
- IFRS 17 Insurance Contracts (applicable for annual periods beginning on or after 1 January 2021, but not yet endorsed in the EU)

At this stage, the Company does not expect the first adoption of these Standards and Interpretations to have any material financial impact on the financial statements at the moment of initial application. Except for what is stated below on IFRS 16.

IFRS 16 introduces significant changes in accounting for leases for the lessee, removing the distinction between operating and finance leases and recognising assets and liabilities for all leases (aside from exemptions for short-term leases or low-value assets). Unlike accounting for leases by the lessee, IFRS 16 keeps almost all provisions from IAS 17 Leases regarding accounting for leases by the lessor. This means that lessors must continue to classify leases as operating or finance leases. As the Company is mainly property owner en

thus acting as a lessor, no changes are triggered and the Company will continue to value its investment property portfolio at fair value in accordance with IAS 40.

Still, the Company holds significant part of its land positions through long-term leaseholds (i.e. 'perpetual usufructs') and not full property. For these contracts, a right of use and related liability will have to be recognised by the Company in the consolidated 2019 financial statements. The Company will apply the 'modified retrospective approach'. The comparative figures will not be adapted. The total impact will be processed as an increase of assets and liabilities, which is estimated within a range of 24 MEUR and 27 MEUR. The impact on the income statement is expected to be limited.

The Company is currently assessing the possible impact, if any, of standards to be applied as from 2020.

1.5. PRINCIPLES OF CONSOLIDATION

1.5.1. CONSOLIDATION SCOPE

The entities included in the consolidation scope are those that are under control of the Company (see Notes 4 and 5). The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Control is achieved when the Company:

- has power over the investee; and
- is exposed or has rights to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company re-assesses whether or not it controls an investee if fact and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The transactions, balances and unrealized gains and losses between these legal entities are deemed intra-group transactions and are eliminated in full.

The transactions with other entities owned directly or indirectly by the ultimate shareholders of the Ghelamco Consortium are deemed transactions with related parties and are not eliminated, but are presented as balances and transactions with related parties in Note 27.

Investments in joint-ventures are included in the consolidated financial statements in accordance with the equity method. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

1.5.2. ACQUISITION OF SUBSIDIARIES

Although the Company obtained control over several subsidiaries over the past years, these transactions are not considered business combinations as defined under IFRS 3 "Business Combinations". In these transactions, the Company primarily acquired land and therefore these transactions are to be considered as a purchase of selective assets and

liabilities and not as a purchase of a “business”. The purchase consideration has been allocated to each of the assets and liabilities acquired based on their relative fair values.

During the course of 2018 and 2017, there were no acquisitions of subsidiaries that qualified as an acquisition of a business as defined in IFRS 3 “Business Combinations”.

1.5.3. SALE OF SUBSIDIARIES

As was the case in the past, the 2018 and 2017 business of the Company consists of developing commercial and residential real estate projects. Commercial properties are held for rental and/or capital appreciation. Residential properties are held for sale in the ordinary course of business.

General rule:

- sale of commercial projects subsidiaries (in which real estate is developed and valued as IP(UC)) is presented in the Income Statement as a disposal of IP and not as a disposal of a subsidiary;
- sale of residential projects subsidiaries (in which real estate is developed and valued as property development inventories) is presented in the Income Statement on a gross basis (i.e. revenue from the sale of inventories and cost of sales) and not as a disposal of a subsidiary. Still, a sale of residential projects is generally structured as a sale of assets.

Comments 2018

In the current year, no commercial or residential project SPVs have been sold.

Comments 2017

On 19 December 2017, the shares of Ghelamco Nowa Formiernia Sp. z o.o., project company holding the Przystanek mBank project (offering 25,619 sqm office space in Lodz) were sold to LCN Euro Master Dutch Holdings II BV. The share deal was based on the underlying value of the property (amounting to 58.2 MEUR). The transaction has in the financial statements been presented as a disposal of IP.

On 29 June 2017, the Warsaw Spire project was sold to Ghelamco European Property Fund NV at a transaction value of 540 MEUR in total. For this purpose, Granbero Holdings Ltd entered into an agreement with Ghelamco European Property Fund NV to sell 100% of the shares in Stareti Holdings Ltd (in turn parent company of the SPVs holding the (3 parts of the) Warsaw Spire project).

In 2017, no residential SPVs were sold, in line with the general approach to sell residential projects through asset deals.

1.5.4. INCREASE IN OWNERSHIP INTERESTS IN SUBSIDIARIES

The Company applies the parent company model to transactions with minority shareholders. Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

1.5.5. FOREIGN CURRENCY TRANSLATION

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency).

Foreign currency transactions

Foreign currency transactions are recognized initially at the exchange rate prevailing at the transactions' date. Subsequently, at closing, monetary assets and liabilities denominated in foreign currencies are translated at the balance sheet currency rate. Gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are included in the income statement as a financial result.

Foreign entities

For the purpose of the IFRS consolidated financial statements, the results and financial position of each entity are expressed in Euro, which is the functional currency of the Company and the presentation currency for the IFRS consolidated financial statements. In consolidation, the assets and liabilities of the group companies using a different functional currency than the Euro are translated in Euro using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified in equity, within the "Cumulative translation reserve". Such translation differences are recognized as income or as expenses in the period in which the entity is sold, disposed of or liquidated.

The principal exchange rates versus EUR that have been used are as follows:

	2018		2017	
	Closing rate at 31 December	Average rate for 12 months	Closing rate at 31 December	Average rate for 12 months
Polish Zloty (PLN)	4.3000	4.2617	4.1709	4.2583
United States Dollar (USD)	1.1450	1.1810	1.1993	1.1297

1.6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are carried at acquisition cost less any accumulated depreciation and less any accumulated impairment loss.

Cost includes the fair value of the consideration given to acquire the asset and any directly attributable cost of bringing the asset to working condition for its intended use (inclusive of taxes).

The depreciable amount is allocated on a systematic basis over the useful life of the asset, using the straight-line method. The depreciable amount is the acquisition cost.

The applicable useful lives are:

Tangible fixed assets:

- Buildings: 20 to 40 years
- Vehicles: 5 years
- Equipment: 5 to 10 years

1.7. FINANCE LEASES

A finance lease that substantially transfers all the risks and rewards incident to ownership, is recognized as an asset and a liability at amounts equal to the fair value of the leased assets or, if lower, the present value of the minimum lease payments. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability.

The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise, the asset is depreciated over the shorter of the lease term and its useful life.

1.8. IMPAIRMENT OF ASSETS

At each balance sheet date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the unit to which the asset belongs.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

1.9. INVESTMENT PROPERTY

Investment Property is defined as property (land or a building – or part of a building – or both) held by the owner to earn rentals, realize capital appreciation or both, rather than for: (a) use in the production or supply of goods or services or for administrative purposes; or (b) sale in the ordinary course of business.

Investment Property, principally comprising land and commercial buildings (“commercial property”), is held for capital appreciation or for the long-term rental yields and is not occupied by the Company.

Investment Property (Under Construction) is carried at fair value. Fair value is determined by external appraisers or by management. In the former case, renowned external appraisers carry out an external inspection of the property and they are provided with the necessary supporting documentation (regarding property title over the involved property, copies of (building) permits, architectural plans, renderings, copies of (preliminary) lease contracts), based on which they prepare their resp. valuation reports.

Gains or losses as a result of changes in the fair value are included in the Income Statement of the year in which they occur. Gains and losses as a result of an Investment Property disposal are considered into the Income Statement of the year in which the disposal occurs (in other operating income or other operating expenses).

The Company distinguishes four different stages for Investment Property:

- A. Land without pre-permit approval;
- B. Land with a pre-permit approval;
- C. Land with a building permit and construction ongoing;
- D. Land with a completed building.

The above stages can again be divided in 2 main categories:

1.9.1. INVESTMENT PROPERTIES UNDER CONSTRUCTION (A), (B), (C)

The fair value of the land is determined based on the following methods:

1. Based on comparative method;
2. Based on realizable sqm;
3. Based on residual method.

Fair value of IP(UC) is determined as follows:

- Projects under (A): fair value of the land plus cost of in process development
- Projects under (B): fair value of the land, to the extent the valuation expert has considered the value of the master plan and/or building permit OR fair value of the land plus cost of in process development, to the extent the valuation expert has not yet considered the value of the master plan and/or building permit
- Projects under (C): fair value of the (permitted) land plus construction part at cost, if the above building permit and lease conditions are not (yet) fulfilled
- Projects under (C): fair value of the (permitted) land plus fair value of the construction part, if the below building permit and lease conditions are fulfilled

By consequence, fair value adjustments have been recognized as follows:

- Projects under (A): fair value of the land minus the gross land cost (including purchase price of the land, costs on the purchase, capitalized financial costs and possible goodwill) ;
- Projects under (B): fair value of the land minus gross land cost;
- Projects under (C): fair value of the land minus gross land cost, plus fair value of the construction part minus cost of the construction part, to the extent the above conditions are met.

In assessing the fair value, the Company considers whether both following conditions have been met:

- Building permit on the property has been obtained and
- Binding lease agreements have been signed for over 40% of the net leasable area of the property.

In case the above mentioned conditions are not fulfilled, the fair value of the IPUC (part not included in land) is deemed to be the cost of the in-process development.

In case the conditions are fulfilled, the fair value of IPUC (both land and construction part) will be determined by an independent appraiser report, based on RICS Valuation Standards.

1.9.2 COMPLETED INVESTMENT PROPERTIES (D)

Investment Properties are considered completed as from the moment the project received its exploitation permit.

Completed Investment Properties are valued by internationally qualified appraisers as of the end of the period, based on market values in accordance with the RICS Valuation Standards. They are recognized at fair value reflecting the market conditions at the balance sheet date. Market values of the project are calculated based on the Yield method or Discounted Cash Flow method, depending on the type of project, its status and the location.

Fair value of IP is determined as follows

- Projects under (D): fair value of the completed project

By consequence, fair value adjustments have been recognized as follows:

- Projects under (D): fair value of the completed project minus gross land cost, minus cost of the construction part

In the case of a contingent consideration payable for a property acquired, the asset (inventory or IP) is recognized initially at cost, determined based on the fair value of the total consideration paid or payable. The fair value of the contingent consideration is determined based on management's best estimate and recognized as a financial liability. Subsequent changes in the fair value of the liability are recorded via the income statement (and are not part of the asset value).

1.10. (NON-) CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

A (non-) current asset or disposal group is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. A discontinued operation is a component of an entity, which the entity has disposed of, or which is classified as held for sale, which represents a separate major line of business or geographical area of operations and which can be distinguished operationally and for financial reporting purposes.

For a sale to be highly probable, the entity should be committed to a plan to sell the asset (or disposal group), to an active program to locate a buyer or to complete a plan which was already initiated. In addition, the asset (or disposal group) should be actively marketed at a price which is reasonable in relation to its current fair value, and the sale should be expected to be completed within one year from the date of classification.

Assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs necessary to make the sale. Any excess of the carrying amount over the fair value less costs to sell is included as an impairment loss. Depreciation of such assets is discontinued as from their classification as held for sale. Comparative balance sheet information for prior periods is not restated to reflect the new classification in the balance sheet.

1.11. PROPERTY DEVELOPMENT INVENTORY

Land and premises acquired and held for future development as well as in-process development projects (other than Investment Properties) are classified as inventories. Property Development Inventories mainly comprise residential properties.

Inventories are measured at the lower of cost and net realizable value at the balance sheet date.

The cost of in-process development projects comprises architectural design, engineering studies, geodesic studies, raw materials, other production materials, direct labour, other direct and external borrowing costs directly attributable to the acquisition or construction of the qualifying inventories.

External borrowing costs directly related to the acquisition, construction or production of a qualifying asset are capitalized. A qualifying asset is an asset that takes a substantial period of time to get ready for its intended use or sale. Capitalization commences when expenditures and borrowings are being incurred for the asset, and ceases when all the activities that are necessary to prepare the asset for its intended use or sale are complete. The capitalization criteria are usually met as from the date of acquisition of land for building purposes, as activities related to development are usually being undertaken by the Company as from that date.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. A write-down is necessary when the net realizable value at balance sheet date is lower than the carrying value. The Company performs regular reviews of the net realizable value of its Property Development Inventory.

The most recent review indicated that the global net realizable value of the Property Development Inventory of the Company exceeded its carrying amount measured on a historical cost basis in these IFRS consolidated financial statements (Note 7).

Perpetual usufruct and operating lease contracts of land:

The Company holds land in Poland under the right of perpetual usufruct. The right of perpetual usufruct is in substance a long-term land lease that grants the lessee the right to use and administer land owned by the state or local authorities under the terms and conditions of a contract usually concluded for 99 years. The holder of such right is obliged to pay an annual fee during the term of the perpetual usufruct estimated by the state or local authority.

Payments, including prepayments, made under the perpetual usufruct contracts are capitalized to the Property Development Inventories.

Reference is made to the impact of IFRS 16 from 2019 onwards, as described in section 1.4 above.

1.12. TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

Impairment

A provision for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy or undergo financial reorganization

and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable is impaired.

Additionally from 1 January 2018 onwards

The Company recognises loss allowances for ECLs mainly on financial assets measured at amortised cost and contract assets.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Loss allowances for trade receivables and contract leases are therefore always measured at an amount equal to lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

In determining the amount of credit losses the Company has considered both quantitative and qualitative information and prepared an analysis, based on the Company's historical experience and macro-economic information including forward-looking information.

The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash shortfalls, discounted at the original effective interest rate. The asset's carrying amount is reduced through the use of an allowance account, and the amount of the loss is recognized in the Income Statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written down are credited in the Income Statement.

1.13. FINANCIAL ASSETS

Before 1 January 2018

The Company classified its financial investments in the following categories: financial assets at fair value through profit or loss, loans and receivables and available for sale. The classification depends on the intention of the investment's acquisition. Management determines the investments' classification at initial recognition and re-evaluates this designation on every reporting date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method.

The investments in equity instruments that do not have a quoted market price in an active market are measured at cost (this valuation principle applies mainly to the investments in entities under the control of the ultimate shareholders of the Company not included in the consolidation scope of these financial statements).

Derivative financial instruments are measured at fair value with changes recognized in profit or loss.

From 1 January 2018

The Company classifies its financial assets in the following categories: measured at

amortised cost, Fair Value through Other Comprehensive Income ('FVOCI') and Fair Value Through Profit and Loss ('FVTPL'). The classification is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method.

The investments in equity instruments that do not have a quoted market price in an active market are measured at cost (this valuation principle applies mainly to the investments in entities under the control of the ultimate beneficial owners of the Company, not included in the consolidation scope of these financial statements).

Derivative financial instruments are measured at fair value with changes recognized in profit or loss.

For an overview of financial assets (and liabilities) by category in accordance with IFRS 9 (from 1 January 2018) and IAS39 (before 1 January 2018), reference is made to note 15 below.

1.14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less.

1.15. SHARE CAPITAL

Ordinary shares are classified as equity under the caption "share capital". When share capital recognized as equity is (re)purchased, the amount of the consideration paid, including directly attributable costs and taxes, it is recognized as a change in equity.

Dividends are recognized as a liability only in the period in which they are approved by the Company's shareholders.

1.16. CURRENT AND DEFERRED INCOME TAXES

Income tax on the profit or loss for the year comprises current and deferred income tax.

Income tax is recognized in the income statement, except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years. It is calculated using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax is recognized, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values. Deferred tax is recognized on all temporary differences, even arising on the assets and liabilities located in the Special Purpose Vehicles. Most of the Special Purpose Vehicles hold one specific property development project.

The recognition of deferred tax liabilities on fair value adjustments is based on the assumption that the land and buildings held by the Company will be realized through asset deals. This relates mainly to the residential projects held by the Company.

As it is expected that the value of commercial projects will in first instance be realized through use (and not through sale), the recognition of deferred tax liabilities on fair value adjustments is also applied here. Still, the potential capital gain (in the case a commercial project would be sold through a share deal) might be exempted from income tax in some jurisdictions if certain conditions are met. Although the Company is confident that in the case of a share deal these conditions will be complied with, deferred tax liabilities have consistently been recognized, without taking into account those potential tax exemptions.

Currently or substantially enacted tax rates are used to determine deferred income tax. Under this method, the Company is also required to make a provision for deferred income tax on the difference between the fair values of the net assets acquired and their tax base as a result of a business combination.

No deferred taxes are accounted for temporary differences arising from the initial recognition of goodwill or the initial recognition of assets or liabilities in a transaction that is not a business combination and that at the time of the transaction affect neither accounting nor taxable profit, temporary differences relating to the investments in subsidiaries, associates and joint arrangements to the extent that they will probably not reverse in the foreseeable future, and taxable temporary differences arising on the initial recognition of goodwill.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. A deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realized (Note 16).

1.17. TRADE AND OTHER PAYABLES

Trade and other payables are measured at amortized cost. As the impact of discounting is immaterial, trade and other payables are measured at the nominal value.

1.18. BORROWINGS

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the Income Statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has a contractual

right (provided all covenants are fulfilled) to defer settlement of the liability for at least 12 months after the balance sheet date.

1.19. REVENUE RECOGNITION

Revenue mainly includes sales of properties and rental income.

Sale of Property Development Inventory

Before 1 January 2018

Revenue from the sale of property development inventory is recognized when all the following conditions have been satisfied:

- (a) the entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) the amount of revenue can be measured reliably;
- (d) it is probable that the economic benefits associated with the transaction will flow to the entity;
- (e) the costs incurred or to be incurred relating to the transaction can be measured reliably.

Revenue is recognized based on the fair value of the consideration received or receivable. For contingent consideration related to the sale of properties, the fair value of the contingent consideration is determined based on management's best estimate and recognized as a financial asset. Subsequent changes in the fair value of the financial asset are recorded via the income statement.

From 1 January 2018

Revenue is recognised as control is passed to the customer, either over time or at a point in time.

Revenue is recognised in the income statement (on the line-item Revenue) based on the transaction price in the contract, which is the amount to which the Company expects to be entitled in exchange for the transfer of the property.

In accordance with local laws and legislation, revenue from off-plan apartment sales is recognized at delivery; i.e. through completed contract method.

To the extent a contract contains elements of variable or contingent consideration, the Company will estimate the amount of variable consideration to which it will be entitled under the contract. A variable consideration is only included in the transaction price and will only be recognised to the extent it is highly probable that its inclusion will not result in significant revenue reversal in the future, when the underlying uncertainty has been resolved.

The property disposals might be structured as a sale of shares in a legal entity that holds the property. The sales of real estate projects structured as a sale of shares are presented in these financial statements in accordance with the substance and economic reality of the transactions and not merely with their legal form. Thus, the amount of inventories recognized as an expense during the period referred to as "Cost of Property Development Inventories sold" comprises costs directly related to the property development projects sold during the year. The revenue from sales of properties reflects the

market value of the properties sold.

Rental income

Rental income from Investment Properties leased is recognized on a straight-line basis over the lease term. Lease incentives granted are recognized as an integral part of the total rental income (i.e. are spread over the lease term).

The Company did not enter into any financial lease agreements with tenants; all lease contracts qualify as operating leases.

Sale of Investment Property

Revenue from the sale of investment property is recognized when all the following conditions have been satisfied:

- (a) the entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) the amount of revenue can be measured reliably;
- (d) it is probable that the economic benefits associated with the transaction will flow to the entity;
- (e) the costs incurred or to be incurred relating to the transaction can be measured reliably.

The property disposals are often structured as a sale of shares in a legal entity that holds the property. The sales of real estate projects structured as a sale of shares are presented in these financial statements in accordance with the substance and economic reality of the transactions and not merely their legal form. The gain realized on a sold investment property is shown on a net basis under "Result on disposal Investment Property" in the income statement.

2. FINANCIAL RISK MANAGEMENT

2.1. FINANCIAL RISK FACTORS

Due to its activities, the Company is exposed to a variety of financial risks: market risk (including exchange rate risk, price risk and cash flow interest rate risk), credit risk and liquidity risk. Financial risks relate to the following financial instruments: trade receivables, cash and cash equivalents, trade and other payables and borrowings. The Company uses derivative financial instruments (external or internal) on an ad hoc basis to hedge against the exposures arising from the individual transactions significant to the Company as a whole.

Financial risks are managed by the Group's Chief Financial Officer (CFO) and his team. The CFO identifies, evaluates and mitigates financial risks in accordance with the objectives set by the Chief Executive Officer.

2.1.1. FOREIGN EXCHANGE RISK

The Company operates internationally and enters into transactions in currencies (US Dollar, Polish Zloty) other than the Company's functional currency being Euro. The major part of the Company's financial assets and financial liabilities are however denominated in Euro.

Within the Eurozone, the Company concludes all engineering and architectural contracts, main construction contracts and main part of (project) financing contracts in Euro. On the other hand, the Company has over the past years and via its financial vehicle Ghelamco Invest SP. z o.o., issued significant amounts of Polish bearer bonds (with an outstanding amount of 813.9 MPLN as of 31/12/18). Leasing of the properties is Euro based and eventual later disposal of assets or shares is usually expressed or negotiated in Euro. The Polish Zloty's risk is for that limited to the mentioned PLN bond issues, some smaller local contracts and the sale prices of residential projects.

In short, the Company mitigates its currency risk exposure by matching as much as possible the currency of the income with that of the expenditure.

As stated, main net foreign currency position which the Company holds at the reporting date relates to the Polish bearer bonds in PLN for a (net) amount of 804,337 KPLN. A 10% strengthening/weakening of the EUR against the PLN rate at 31 December 2018 would resp. have increased/decreased the EBT by approx. 18.9 MEUR. This analysis assumes that all other variables (e.g. interest rates) remain constant.

In addition, trade payables in PLN are outstanding for an amount of 154.7 MPLN. A 10% strengthening/weakening of the EUR against the PLN rate at 31 December 2018 would resp. have increased/decreased the equity by approx. 3.6 MEUR. This analysis assumes that all other variables (e.g. interest rates) remain constant.

When a member of the Service Holding is exposed to eventual currency risks, the Company may choose to enter into an intra-group hedging.

Despite those closely monitored initiatives and as a consequence of its international activity, foreign exchange risks may still affect the Company's financials and results.

2.1.2. INTEREST RATE RISK

The Company actively uses external and related party borrowings to finance its property development projects. A property development project's external financing is usually in the form of a bank loan denominated in Euro (see Note 14). Since Ghelamco Invest Sp. z o.o. is issuing bearer bonds (of which 813.9 MPLN actually still outstanding per balance sheet date), Polish projects can also be partly financed through the proceeds of these bonds.

Except for some ad-hoc past interest hedging, the Company did not enter into significant external interest rate hedging transactions to eliminate exposure arising from the long-term investment loans over the last 5 years. The Group's management closely monitors the short-term floating rate borrowings and medium term fixed interest rates.

The financing structure reflects major project development phases (acquisition of land, development and holding of the properties) as follows and usually structured within the involved project entity:

- Land acquisition loans (usually provided for a term of two years). The interest is payable at market floating rates (from 1 up to 6 months) increased by a margin.
- Development loans provided until completion of construction and obtaining of the exploitation permit (usually for a term of about two years). The interest is payable at market floating rates (from 1 up to 6 months) increased by a margin. The land acquisition loan is at this stage integrated in the development loan.
- Once the property is completed, leased and meets all ongoing covenants, the development loan allocated to it can be turned into an investment loan usually provided for a period of five years beginning from the signing of the investment loan agreement and repayable upon sale or refinancing of the property. The banks are usually willing to increase development loans up to an amount that reflects 65% to 75% of the property's market value, once all ongoing covenants are met. The interest is usually a mix of floating and fixed rates. In addition, the capital is reimbursed at a level between 4% and 7% per annum (on average), payable on a quarterly base together with the accrued interest.
- For the Polish projects: 813.9 MPLN proceeds from bond issues with a term of 3 to 5 years and bearing an interest of Wibor 6 months + 3.5%-5.0% and Euribor 6 months + 4.3% resp.; proceeds of which can be used over the resp. project development stages.

The Company actively uses related party borrowings provided by the Ghelamco Group Financing Vehicles acting as financial intermediaries (mainly Milovat at 31 December 2018 and Peridot per 31 December 2017) to finance the property development projects in Poland. These related party loans bear interest at market floating interest rates.

For sensitivity analysis, reference is made to disclosure 14 on interest-bearing loans and borrowings.

2.1.3. OPERATIONAL RISK (PRICE RISK IN FIRST INSTANCE)

Price risk

Raw materials, supplies, labour and other costs directly related to the construction projects constitute a major part of the property development assets capitalized in the accounts of the Company's property development companies.

Although construction prices may substantially vary during each accounting year, the Company succeeds in reducing its operational risk by either entering into fixed price

contracts or into open book contracts with related and unrelated companies. Most property development projects are realized in cooperation with parties related to the Company (see Note 27.2).

Market research

Before starting an investment, the Company's management teams have performed their market research, comprising the following:

- status of the project's current zoning (and in the forthcoming case timing for necessary rezoning)
- attitude of the local government towards a particular project
- are comparable projects being launched (timing and location)
- type of potential buyers/tenants - reasonable delivery date of the project
- projected sale/lease prices at the date of delivery
- yield expectations at that time
- time frame to achieve 50%-60% leasing level

Permit risk

A detailed advance study of the existing master plan or zoning plans substantially reduces the risks on obtaining building permits. On this issue, it is the Ghelamco Group's policy to closely monitor new construction regulations or esthetical preferences of the city authorities. One should of course differentiate between the type of projects, their location and specific country principles.

Construction risk

Construction risks are monitored by Ghelamco Group in-house engineers. They define the construction cost as from the date of the feasibility study and take full responsibility for material discrepancies. Therefore, fine-tuning of budgets, choice of materials, construction techniques and construction prices is a constant process within Ghelamco Group. This avoids cost overruns and delivery delays.

The Company also maintains full control over the building site coordination of (sub) contractors through its team of site managers.

Engineering risk

The Company has to remain in control for the design, layout and structural or finishing elements of the building. Any change in engineering automatically leads to cost increases or decreases. That is why the Company hardly ever outsources these tasks outside the Ghelamco Group.

Financing risk

The Company relies since more than 10 years on framework agreements with the majority of its banking partners. The parameters of the framework can vary due to economic circumstances, but remains workable as a whole. Before starting up the construction works (or contracting with subcontractors), the Company expects to have received already a (non-)binding term sheet from its banking relations.

In the past five years, the Company in addition proved to be able to call upon alternative financing through the issue of bearer bonds (813.9 MPLN total outstanding as of 31 December 2018).

Commercial risk

Certain major projects require (internal) pre-lease levels, depending on different parameters, mostly triggered by the project's (large) scale, changed market circumstances or project type. Smaller projects are started up without pre-leases. This set-up immediately

triggers the intense involvement of both the internal commercial departments and the external brokers. So far, the Company's track record shows at least a 50% (or more) leasing level before the end of construction works.

Investment market risk

Each developer or investment fund is influenced by the currently applicable yield expectations. Therefore, good project timing is essential. While securing the construction financing, the Company also negotiates a binding transition from construction loan into investment loan. This allows us to keep the property in portfolio and to wait for attractive offers of investors.

2.1.4. CREDIT RISK

Some limited credit risk may arise from credit exposures with respect to rental customers/ tenants (mostly renowned international companies) and outstanding balances with related parties. The group entities are setting credit limits based on financial information and business knowledge, which are duly approved by management. No major allowances for non-payment were necessary in the current or previous year. The credit risks on residential buyers are limited by the conditions in the notary deeds.

For further analysis, reference is made to note 9.

2.1.5. LIQUIDITY RISK

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to meet the Company's liquidity needs. Due to the dynamic nature of the underlying business activities, the Company actively uses external and related party funds to ensure that adequate resources are available to finance the Company's capital needs. The Company's liquidity position is monitored by management, based on 12 months rolling forecasts.

The maturity analysis for financial liabilities that shows the remaining contractual maturities is presented in Note 14.

We also refer to note 11 and note 14.1 where the available financing is described.

2.1.6. ECONOMIC RISK

The Company's projects are operated through subsidiaries located and operated in Poland, held through a Cypriot holding structure. As a result, the operation of these projects and the upstreaming of related revenues are subject to certain inherent risks to these countries which may include, but are not limited to unfavourable political, regulatory and tax conditions.

In this respect, e.g. reference is made to the changes to the Polish tax law related to fund structures, as described in section 1.16 above.

2.2. CAPITAL RISK AND BALANCE SHEET STRUCTURE MANAGEMENT

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to support the strategic growth plans of the Company.

During the past years, all profits have been re-invested. Per end September 2016, the Company's capital (share premiums included) was in first instance increased by 33.3 MEUR through the contribution in kind of 60% of the shares of Apollo Invest Sp. z o.o. by Elzenwalle NV (related party belonging to the Portfolio Holding) and subsequent sale of the resulting Granbero participating interest by Elzenwalle to Ghelamco Group Comm. VA. In addition, per end November 2016 the Company declared a dividend of 430 MEUR to its parent company, Ghelamco Group Comm. VA, which the latter has immediately afterwards again capitalized for the same amount (in share capital and share premiums).

The management's focus is to a significant extent set on financial support of its expansion plans. In order to maintain or optimize the capital structure, the Company may decide to issue bonds or similar financial instruments in the international financial markets. Company management closely monitors solvency, liquidity, return on invested capital and profitability levels.

The Company monitors capital primarily based on the solvency ratio. This ratio is calculated as total equity divided by the balance sheet total. The solvency ratios at 31 December 2018 and 2017 were as follows:

	2018	2017
Equity	725,897	696,674
Total assets	1,173,613	1,266,426
Solvency ratio	61.9%	55.0%

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and assumptions are based on historical experience and various other factors that are considered reasonable under the circumstances, the results of which form the basis of judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects future periods.

In addition to the estimates already explained in the accounting policies, the estimates and assumptions that might significantly affect the valuation of assets and liabilities are outlined below.

Impairment of assets

The risk of impairment arises from uncertainties typical to the real estate development industry. At the balance sheet date no cumulated impairment losses/write-offs to net realizable value have been recognized on inventory items.

No additional impairments/write-offs to the profit and loss statement were deemed necessary in 2018 and 2017.

Income taxes

The Company operates within a thoroughly regulated environment. Deferred tax is determined based on each legal entity's tax position and is reviewed on each balance sheet date to take account of the impact of changes in the tax laws and the probability of recovery.

Basic Company Income Tax levels (excluding tax exemptions or other incentives):

- Poland: 19% (to 15% if some conditions are met)
- Cyprus: 12.5%
- Luxembourg: 20.33% (exceptions for financial rulings, at least until 30 November 2017, date of closing the Granbero Capital, Luxembourg branch of Granbero Holdings Ltd)

Fair value estimation

The carrying value less impairment write down of trade receivables and payables are assumed to reflect their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

In conformity with IAS39 (before 1 January 2018) and IFRS 9 (from 1 January 2018 onwards) and to the extent applicable, all derivatives are recognized at fair value in the balance sheet.

With respect to the determination of fair value of IP(UC), we refer to section 1.9 above.

Granbero Holdings Ltd. subsidiaries included in these IFRS consolidated financial statements are as follows:

4. LIST OF SUBSIDIARIES

Entity description	Country	31/12/2018 % voting rights	31/12/2017 % voting rights	Remarks
GRANBERO HOLDINGS Ltd.	CY	100	100	
Apollo Invest Sp. z o.o	PL	100	100	
Prima Bud Sp. z o.o.	PL	70	70	
Ghelamco Invest Sp. z o.o	PL	100	100	
Ghelamco GP 1 Sp z o.o	PL	100	100	
Ghelamco GP 1 Sp. z.o.o. Konstancin SKA	PL	100	100	
Ghelamco GP 1 Sp. z.o.o. Port Żerański SKA	PL	100	100	
Ghelamco GP 8 Sp. z.o.o. Dahlia SKA	PL	100	100	
Tilia BIS Sp. z o.o (former Ghelamco GP 1 SP. z.o.o. Tilia SKA)	PL	100	100	
Innovation Bud Bis Sp. z o.o. (former Innovation SKA)	PL	100	100	
Ghelamco GP 9 Sp. z.o.o. Sobieski Towers Sp.k.	PL	100	100	
Ollay Sp. z.o.o. Market SKA	PL	100	100	
Erato Sp. z.o.o. (former Ghelamco GP 1 Sp. z.o.o. Erato SKA)	PL	100	100	
Oaken Sp.z.o.o. Pattina SKA	PL	100	100	
Ghelamco GP 1 Sp. z.o.o. Unique SKA	PL	70	70	
Octon Sp.z.o.o. PIB SKA	PL	100	100	
Ghelamco GP 1 Sp. z.o.o. Vogla SKA	PL	100	100	
Ghelamco GP 5 Sp. z o.o. (former Fusion Invest Sp. z o.o)	PL	100	100	
Ghelamco GP 11 Sp. z.o.o. the HUB SKA (former Ghelamco GP 5 Sp. z.o.o. Sienna Towers SKA)	PL	100	100	
Ghelamco GP 4 Sp. z.o.o. SBP SKA	PL	100	100	
Ghelamco GP 5 Sp. z.o.o. Foksal SKA	PL	100	100	
Ghelamco GP 3 Sp. z o.o. (former Belle Invest Sp. z o.o)	PL	100	100	
Ghelamco GP 3 Sp. z.o.o. Wronia SKA	PL	100	100	
Ghelamco GP 7 Sp. z o.o. (former Power Invest Sp. z o.o)	PL	100	100	
Ghelamco GP 7 Sp. z.o.o. Postępu SKA	PL	100	100	
Ghelamco GP 2 Sp z o.o	PL	100	100	
Ghelamco GP 4 Sp. z o.o. (former Betula Invest Sp. z o.o)	PL	100	100	
Ghelamco GP 2 Sp. z.o.o. M12 SKA	PL	100	100	
WUZA1 Sp. z o.o. (former Immediate Investment Sp.z.o.o.)	PL	0	100	4.3
Ghelamco GP 6 Sp. z o.o. (former Opportunity Invest Sp. z o.o)	PL	100	100	
Ghelamco GP 6 Sp. z.o.o. HQ SKA	PL	100	100	
Ghelamco GP 3 Sp. z.o.o. Isola SKA	PL	100	100	
Ghelamco GP 8 Sp.z o.o.	PL	100	100	
Ghelamco GP 2 Sp. z.o.o. Sigma SKA	PL	100	100	
Ghelamco Garden Station Sp.z o.o.	PL	99	99	
Creditero Holdings Ltd.	CY	100	100	
Ghelamco Gdanska Pl Sp. z o.o.	PL	100	100	
Warsaw Spire Management Sp. z o.o.	PL	100	100	
Warsaw Spire Sp. z o.o.	PL	0	100	4.3
Ghelamco GP 10 SP. z o.o. (former Chopin Project sp. z o.o.)	PL	100	100	
Ghelamco GP 2 Sp. z.o.o. Synergy SKA	PL	100	100	
Ghelamco GP 16 Sp. z.o.o. Canna SKA	PL	100	100	
Ghelamco GP 10 Sp. z.o.o. Azira SKA	PL	100	100	
Laboka Holdings Ltd	CY	100	100	
Esperola Ltd	CY	100	100	
Woronicza Sp. z.o.o.	PL	100	100	
Milovat Ltd	CY	100	100	
P22 Łódź Sp. z.o.o.	PL	50	50	**
Ghelamco GP 1 Sp. z.o.o. Azalia SKA	PL	100	n/a	

(**): Held in a 50/50 joint venture structure and for that included in the financial statements under the equity method

Real estate acquisitions and disposals (including plots of land) often involve the transfer of a company that holds the property and/or real estate activities.

Most subsidiaries (except for the Holding, sub-holding(s) and Financing Vehicle) are such special purpose real estate entities created to structure real estate transactions (acquisition of land and real estate development activities).

The summary of incorporations, acquisitions and disposals of subsidiaries (and other business units) realized by the Company during the year ended on 31 December 2018 is presented below. The acquisitions and disposals of real estate subsidiaries are treated in accordance with the accounting policy as described in section 1.5.2 and 1.5.3 (and not in accordance with IFRS 3 on Business Combinations).

4.1. ACQUISITIONS AND INCORPORATIONS OF SUBSIDIARIES

In the course of 2018 some new SPVs have been acquired or incorporated and are (directly or indirectly) held for 100% by the Company. All have in addition been acquired or incorporated for (directly or indirectly) holding future real estate developments.

Above transactions have had limited to no impact on the Company's 2018 consolidated financial statements.

4.2. DISPOSAL OF SUBSIDIARIES

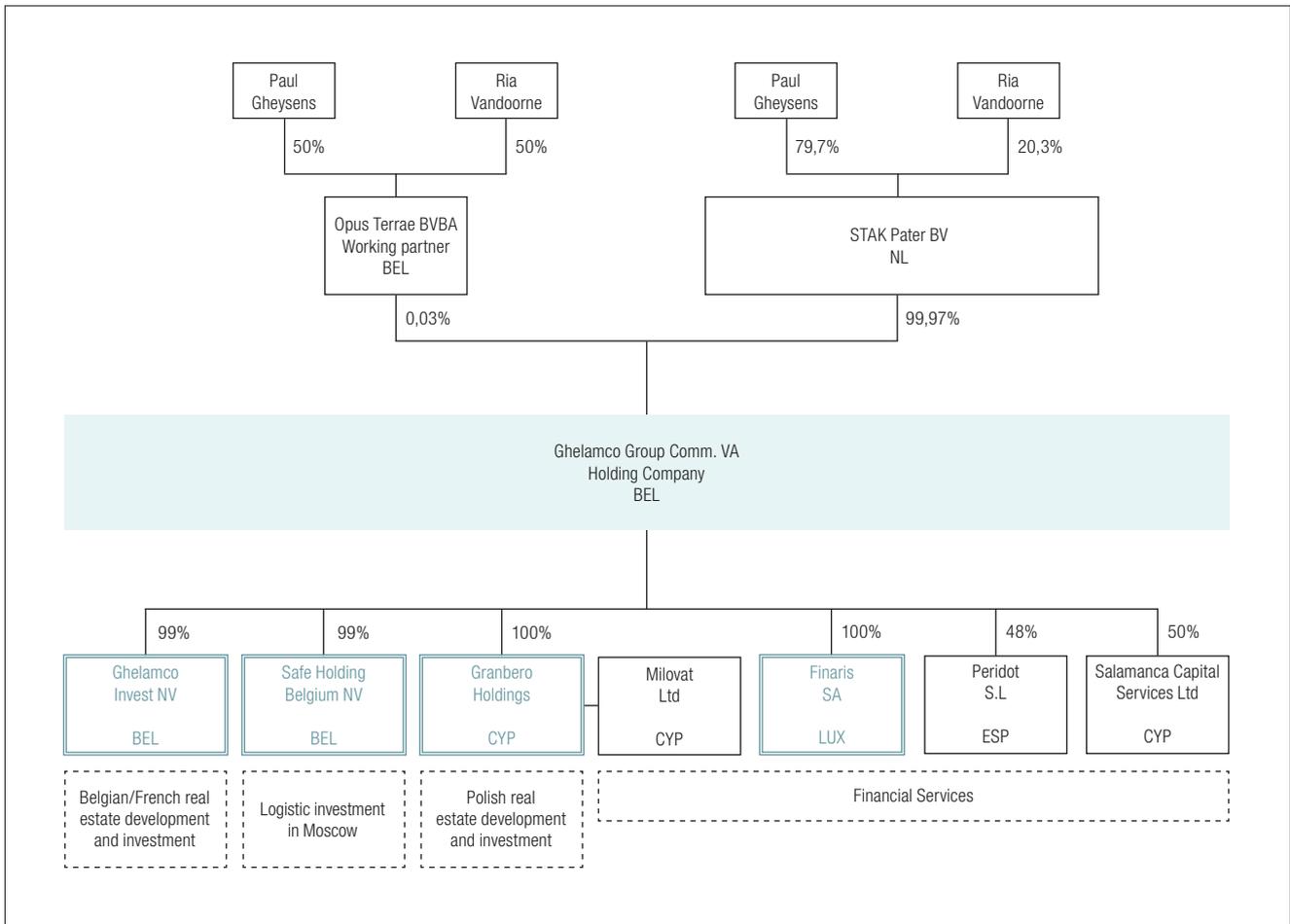
There have been no disposals of subsidiaries during the year ended on 31 December 2018.

4.3. MERGERS, DE-MERGERS AND LIQUIDATIONS OF SUBSIDIARIES

There have been no (de-)mergers or liquidations of subsidiaries during the year ended on 31 December 2018, except for the liquidation of Wuza 1 Sp. z o.o. and Warsaw Spire Sp. z o.o. These liquidations had limited to no material impact on the Company's consolidated financial statements.

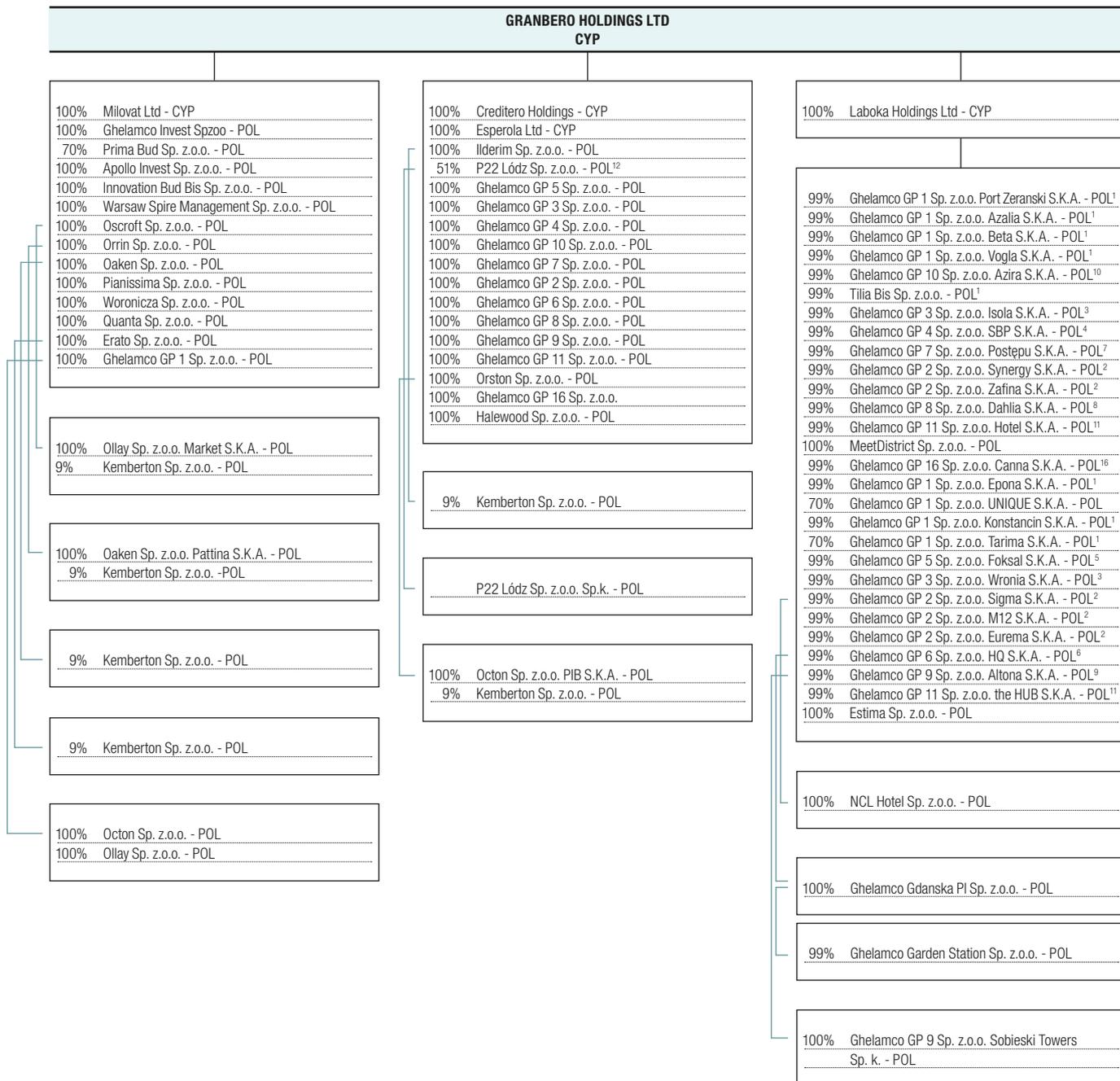
5.1. INVESTMENT HOLDING AS PER DECEMBER 31ST, 2018

5.
GROUP
STRUCTURE



5.2. POLISH REAL ESTATE DEVELOPMENT AND INVESTMENT AS PER DECEMBER 31ST, 2018

GRANBERO HOLDINGS LTD CYP



⁽¹⁾ remaining participation at general partner Ghelamco GP 1 Spzoo, ⁽²⁾ remaining participation at general partner Ghelamco GP 2 Spzoo, ⁽³⁾ remaining participation at general partner Ghelamco GP 3 Spzoo, ⁽⁴⁾ remaining participation at general partner Ghelamco GP 4 Spzoo, ⁽⁵⁾ remaining participation at general partner Ghelamco GP 5 Spzoo, ⁽⁶⁾ remaining participation at general partner Ghelamco GP 6 Spzoo, ⁽⁷⁾ remaining participation at general partner Ghelamco GP 7 Spzoo, ⁽⁸⁾ remaining participation at general partner Ghelamco GP 8 Spzoo, ⁽⁹⁾ remaining participation at general partner Ghelamco GP 9 Spzoo, ⁽¹⁰⁾ remaining participation at general partner Ghelamco GP 10 Spzoo, ⁽¹¹⁾ remaining participation at general partner Ghelamco GP 11 Spzoo, ⁽¹²⁾ remaining participation at Budomal Estate (not a Ghelamco company)

6. INVESTMENT PROPERTY

The Company's current strategy is to keep commercial property for rental purposes while residential properties are dedicated for sale.

Plots of land held, for which the management determines that the plot will be used in a project generating rental income, are classified as Investment Properties on 31 December 2018 and 31 December 2017.

Investment Properties are stated at fair value determined either by independent appraisers or by management and are classified in four categories:

- A. Land without pre-permit approval, held for capital appreciation or undetermined use (fair value usually based on comparative method);
- B. Land with pre-permit approval held for development and investment (fair value based on the potential of constructing leasable sqm);
- C. Land + Construction ongoing (fair value based on the residual method);
- D. Completed Projects held for investment.

Country + SPV	Commercial Name	Valuation	Cat	31/12/2018 KEUR	31/12/2017 KEUR
POLAND					
Apollo Invest Spzoo	The Warsaw UNIT	Savills	C	69,719	57,857
Postępu SKA	Postępu Business Park	KNF	B	7,246	7,120
Sienna Towers SKA/ HUB SKA	The HUB	KNF	C	199,334	101,479
Sobieski SKA	Sobieski Tower	BNP	B	33,429	31,077
Market SKA	Mszczonow Logistics	ASB	A	2,824	2,849
SBP SKA	Synergy Business Park Wrocław	JLL	B	25,138	25,294
Grzybowska 77 Sp.k. + Isola SKA	Grzybowska	KNF	D/A	25,023	23,920
Wronia SKA	Wronia 31	KNF	D	64,386	59,265
Sigma SKA	Chopin + Stixx	KNF	B/D	41,896	40,766
Vogla SKA	Wilanow Retail	KNF	D/A	16,300	11,260
Tillia BIS Spzoo	Powisle	n/a	n/a	0	7,690
Dahlia SKA	Wolaska 24	Cresa	D	56,222	56,553
Synergy SKA	Katowice	JLL	A	3,700	4,000
Canna SKA	.BIG, Kapelanka, Krakow	n/a	n/a	0	7,209
Azira SKA	NCL (Lodz)	BNP	B	21,419	0
TOTAL				566,636	436,339

Legend: KNF = Knight Frank, JLL = Jones Lang Lasalle, ASB = Asbud, Cresa = Cresa, BNP = BNP Paribas Real Estate, Savills = Savills

Balance at 1 January 2017	907,171
Acquisition of properties	
Subsequent expenditure	50,022
Transfers	
• Assets classified as held for sale	
• Other transfers	5,610
Adjustment to fair value through P/L	30,427
Disposals	-583,463
CTA	26,572
Other	
Balance at 31 December 2017	436,339
Acquisition of properties	
Subsequent expenditure	115,601
Transfers	
• Assets classified as held for sale	-29,169
• Other transfers	13,139
Adjustment to fair value through P/L	38,413
Disposals	
CTA	-7,687
Other	
Balance at 31 December 2018	566,636

Categories	A	B	C	D	Total
Balance at 1 January 2017	34,212	148,068	140,801	584,090	907,171
Acquisition of properties					
Acquisition through business combinations					
Subsequent expenditure (*)	6,160	11,271	44,125	15,038	76,594
Transfers					
• Assets classified as held for sale					
• Other transfers	5,610		-30,491	30,491	5,610
Adjustment to fair value	-314	2,775	3,727	24,239	30,427
Disposals			-56,683	-526,780	-583,463
Other					
Balance at 31 December 2017	45,668	162,114	101,479	127,078	436,339
Acquisition of properties					0
Acquisition through business combinations					
Subsequent expenditure (*)	-52	4,652	84,627	18,687	107,914
Transfers					
• Assets classified as held for sale				-29,169	-29,169
• Other transfers	-14,899	-37,028	57,857	7,209	13,139
Adjustment to fair value	830	-610	25,090	13,103	38,413
Disposals					
Other					
Balance at 31 December 2018	31,547	129,128	269,053	136,908	566,636

(*) in this detailed overview net of CTAs (and other)

Amounts that have been recognized in the Income Statement include the following:

	2018	2017
Rental Income	8,975	16,563

The 2018 rental income mainly relates to lease agreements in Woloska 24, Wronia and Vogla Retail.

The Powisle project has in the current year been transferred from Investment Property to Inventories (7,690 KEUR), in connection with the changed development plans (which evolved from commercial to residential). In turn, the Nowe Centrum Lodzi plot has been transferred from Inventories to Investment Property (20,829 KEUR), in view of the development of an approx. 82,000 sqm phased project which will offer office, hotel, retail and residential space.

In addition, the Big project (10,200 sqm office space in Krakow) has been transferred from Investment Property to Assets Held for Sale (29,169 KEUR), in connection with the sale of the project to a 3rd party investor on 17 January 2019. The carrying value per 31 December 2018 reflects the sales value.

SIGNIFICANT ASSUMPTIONS AND SENSITIVITY ANALYSIS

Main part of Polish IP(UC) relates to office projects (with often ground floor retail space), which are valued based on the residual method (for IPUC) and income approach/yield/DCF method (for delivered projects).

For IFRS 13 purposes, IP(UC) projects are categorized in level 3.

The average yields (or capitalization rates) used in the expert valuations on 31 December 2018 are as follows:

- 5.25% to 7.50% for Polish projects, depending on the location, specifics and nature of the project (vs. 5.25% to 8.00% last year).

The average rent rates used in the expert valuations are as follows:

- 12.5 EUR/sqm/month to 23.0 EUR/sqm/month for office space (vs. 10.5 EUR to 21.5 EUR last year),
- 8.26 EUR/sqm/month to 24.21 EUR/sqm/month for retail space (vs. 8.75 EUR to 32 EUR last year), depending on the location, specifics and nature of the project.

On 31 December 2018, the Company has a number of income producing investment property in portfolio (category D) which are valued at 136,908 KEUR (Woloska 24, Wronia and Wilanow Retail). An increase/decrease of 100 basis points in the yield, with all other variables held constant, decreases/increases the value by approx. 19,034 KEUR.

The investment properties (under construction) (category B and C) are valued using a number of assumptions in terms of e.g. construction cost, expected rental values etc. that are interlinked and for which a sensitivity analysis per variable would not make sense.

We also refer to note 1.9 for a description of the valuation process and methodology.

7. PROPERTY DEVELOPMENT INVENTORY

The Property Development Inventories amount to 62,058 KEUR on 31 December 2018 (2017: 70,390 KEUR).

	Carrying value (at cost) at 31 December 2018 - KEUR	Carrying value (at cost) at 31 December 2017 - KEUR
POLISH PROJECTS		
Axiom/Konstancin	5,585	5,443
Foksal	26,403	19,532
Port Zeranski	3,427	3,334
Erato Invest	3,583	3,495
M12 SKA	-	1,391
Pattina Invest	1,720	1,642
P.I.B.	3,033	2,992
Q-Bik soft lofts	1,096	2,975
Innovation Bud Bis (former Signal)	24	24
Unique SKA (Pl Grzybowski)	7,629	7,332
Garden Station SP. z o.o.	1,375	1,382
Azira SKA – Nowe Centrum Lodzi	-	20,829
Tillia	8,134	-
Other	49	19
TOTAL POLAND	62,058	70,390

The property development inventories decreased by 8,332 KEUR compared to prior year. The main movements are noted in the Woronicza Qbik balance (-1,879 KEUR to 1,096 KEUR) in line with current year's sales of remaining units and the Foksal balance (+6,871 KEUR to 26,403 KEUR) in connection with the progress of the construction works of this high-end residential project.

In addition and as stated above, the Powisle project has in the current year been transferred from Investment Property to Inventories and the Nowe Centrum Lodzi plot has been transferred from Inventories to Investment Property.

Also, the M12 plot has in the course of the year been sold to a third party (for an amount of 1,123 KEUR).

Further reference is also made to section 3 and section 4.3.

8. EQUITY ACCOUNTED INVESTEEES

Equity accounted investees amount to 0.1 KEUR and relate to the (50%) participating interests in P22 Łódź Sp.z.oo., which is connected to a plot for the future development of an office project.

Main balance sheet and income statement captions for the entity are the following:

2018	P22 Łódź	
Current assets	3,102	
of which cash and cash equivalents		110
Non-current assets		
Current liabilities	492	
curr. fin. liab. (excl. trade and other payables and provisions)		492
Non-current liabilities	2,785	
non-curr. fin. liab. (excl. trade and other pay. and provisions)		2,785
Revenue	8	
Profit before income tax	-175	
Income tax expense (-) or income (+)	-1	
Profit of the year	-176	

2017	P22 Łódź	
Current assets	3,382	
of which cash and cash equivalents		672
Non-current assets	23	
Current liabilities	152	
curr. fin. liab. (excl. trade and other payables and provisions)		152
Non-current liabilities	3,254	
non-curr. fin. liab. (excl. trade and other pay. and provisions)		3,231
Revenue	6	
Profit before income tax	-3	
Income tax expense (-) or income (+)	0	
Profit of the year	-3	

9. NON-CURRENT RECEIVABLES & PREPAYMENTS AND CURRENT TRADE & OTHER RECEIVABLES

9.1. NON-CURRENT RECEIVABLES & PREPAYMENTS

	Note	31/12/2018	31/12/2017
Non-current			
Receivables from related parties	26.3	308,248	456,792
Trade and other receivables		8,410	4,615
Total non-current receivables and prepayments		316,658	461,407

NON-CURRENT RECEIVABLES FROM RELATED PARTIES

All non-current loans to related parties are granted for a term of 3 to 5 years. Contractual interest rates on non-current receivables to related parties for 2018 were as follows: Euribor/ Libor + margins in the range between 2% and 4%.

Further reference is made to Note 27.3.

Receivables from related parties mainly relate to loans receivable towards Peridot SL (Spain) and Salamanca Ltd (Cyprus).

The significant decrease compared to last year is a consequence of the transfer to Milovat of a significant amount of related party loans receivable (and related accrued interests, for a total combined amount of 280 MEUR) which Peridot SL (Spain) held towards Polish SPVs. Subsequently, the resulting Peridot receivable towards Milovat has been compensated with the existing Peridot loans payable balance towards Milovat.

Above transactions have been executed near year-end in connection with a reorganisation process which is in first instance meant to increase interco financing efficiency and to further simplify the group structure.

NON-CURRENT TRADE AND OTHER RECEIVABLES

Non-current trade and other receivables as of 31 December 2018 mainly consist of:

- Rental guarantee retentions at the level of (formerly Espressivio Sp. z o.o. which has in 2017 been merged into) Woronicza Sp. z.o.o. in connection with the sale of the Mokotow Nova and Lopuszanska Business Park projects: 98 KEUR
- Master lease and rental guarantee retentions in connection with the disposal of Marynarska 12/T-Mobile Office Park: 285 KEUR
- Capitalised rent free and agency fees at the level of Dahlia SKA, in connection with the leasing of the Woloska 24 project: 872 KEUR
- Capitalised rent free and agency fees at the level of Wronia SKA, in connection with the leasing of the Wronia project (which was delivered in 2017): 3,019 KEUR
- Capitalised agency fees at the level of Canna SKA, related to the leasing of the Big project in Krakow: 530 KEUR
- Other Milovat loans receivable: 2,534 KEUR. It mainly concerns loans to related parties which are not (yet) consolidated in these financial statements and loans to affiliated parties which are not defined as related parties under IFRS.

The carrying amounts of non-current receivables reflect their fair value determined based on the future cash flows discounted at the prevailing rate for a similar instrument for an issuer with a similar rating.

9.2. CURRENT TRADE & OTHER RECEIVABLES

	Note	31/12/2018	31/12/2017
Current			
Receivables from related parties	27.3	1,490	2,442
Receivables from third parties		3,313	2,812
Less: allowance doubtful debtors (bad debt provision)		0	0
Net trade receivables		4,803	5,254
Other receivables		4,343	2,060
Related party current accounts	27.3	112,351	112,518
VAT receivable		11,875	6,075
Prepayments		1,955	7,510
Interest receivable		28,287	70,310
Total current trade and other receivables		163,614	203,727

CURRENT TRADE AND OTHER RECEIVABLE

The carrying amounts of trade and other receivables reflect their fair values determined based on the future cash flows discounted at the prevailing rate for a similar instrument of an issuer with a similar credit rating.

Trade receivables with related parties (and prepayments, see below) include invoices for construction, engineering and other services as described in Note 27.3.

Outstanding balance on related party current accounts receivable (112,351 KEUR in total) is mainly towards Ghelamco Group (107,849 KEUR), Tallink Investments (2,473 KEUR) and Ghelamco European Property Fund (2,028 KEUR).

PREPAYMENTS

Outstanding prepayments as of 31 December 2018 mainly represent down payments (and related costs) for an amount of 1,620 KEUR (vs. 1,206 KEUR last year) at SPV Prima Bud for the acquisition of a land plot (Lomianki), for the development of a trade and service centre.

Last year also advance payments for an amount of 6,117 KEUR were included regarding construction services to be delivered at the Warsaw Hub.

INTEREST RECEIVABLE

The interest receivable balance includes interests receivable from related parties for an amount of 28,278 KEUR. The significant decrease compared to last year is attributable to the above mentioned transfer of intercompany financing of the Polish activities from Peridot SL to Milovat Ltd., a subsidiary of Granbero Holdings Ltd.

VAT RECEIVABLE

The outstanding balance as of 31 December 2018 relates to VAT receivables, mainly on the following projects: the Warsaw UNIT, the Warsaw Hub and Woloska 24.

The SPVs involved may either apply to the tax authorities for an immediate cash refund of the VAT receivables or may offset the VAT receivable against any VAT payables.

VAT receivables are the result of VAT paid on their investment expenditures.

CREDIT RISK EXPOSURE AND IMPAIRMENT

Trade and other receivables disclosed above are classified as amortised costs items and thus measured at amortized cost. The amounts presented in the balance sheet are, to the extent applicable, after allowances for doubtful receivables.

Allowances are determined on a case-by-case basis. An allowance for impairment is booked when there is an identified loss event, which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. In addition and from 1 January 2018 onwards, the Company recognises loss allowances for ECLs on trade and other receivables, in connection with the requirements of IFRS 9.

The maximum exposure to credit risk on the reporting date is the carrying amount of each class of financial assets mentioned above. The Company does not hold any collateral as security over these balances, as a large part of accounts receivable balances are with related parties, controlled by the ultimate shareholders of the Ghelamco Group.

As of 31 December 2018 and 2017, trade and other receivables disclosed above do not include significant amounts which are past due at the end of the reporting period and against which the Company has not recognized an allowance for doubtful receivables, as deemed necessary.

Based on the ECL analysis, the Company did not identify material impairment losses on the date of initial application or at year-end.

10. DERIVATIVES

There are no outstanding balances related to the market value of derivatives as of 31/12/18 and 31/12/17.

Also refer to section 2.1.1 above.

11. CASH AND CASH EQUIVALENTS

	31/12/2018	31/12/2017
Cash at banks and on hand	32,313	88,228
	32,313	88,228

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits may be made for various periods not more than three months, depending on the Company's immediate cash requirements, and earn interest at the respective short-term deposit rates.

The Company also has access to the following additional sources of financing:

- additional capacity on the debt ratio (Ghelamco chooses to keep a substantial margin on the Loan to Value ratio);
- potential to take up further financing on completed projects based on Loan to Value (LTV) instead of Loan to Cost (LTC);
- access to alternative financing under the form of bond issuance and mezzanine equity financing. In this respect reference is made to the resp. bearer bonds issues in Poland (813.9 MPLN total outstanding bonds at 31 December 2018).

Cash is held with reputable banks. For that, the credit risk on cash balances is deemed low.

12. SHARE CAPITAL AND SHARE PREMIUMS

	31/12/2018	31/12/2017
Authorised capital	67	67
Share premiums	495,903	495,903
issued and fully paid	495,970	495,970

Authorised capital consists of 67,335 shares, fully paid.

At 31 December 2018, the Company's direct shareholders are:

- **Ghelamco Group Comm VA** (Belgium) - 100%

12.1. DISTRIBUTION OF DIVIDENDS BY THE COMPANY

In the course of 2018 and 2017, no dividends have been declared or distributed.

12.2. NON-CONTROLLING INTERESTS

	31/12/2018	31/12/2017
Balance at beginning of year	7	7
Share of profit for the year		
Acquisitions/disposals		
Balance at end of year	7	7

13. RESERVED AND RETAINED EARNINGS

Reserves and retained earnings on the balance sheet date are as follows:

	Cumulative translation reserve	Retained earnings
At 1 January 2017	12,504	179,053
Cumulative translation differences (CTA)	-15,097	
Dividend distribution to the ultimate shareholders		
Change in the consolidation scope		-74
Other		-15
Profit for the year		24,325
At 31 December 2017	-2,593	203,289
At 1 January 2018	-2,593	203,289
Cumulative translation differences (CTA)	3,470	
Dividend distribution to the ultimate shareholders		
Change in the consolidation scope		
Other		-41
Profit for the year		25,795
At 31 December 2018	877	229,043

14. INTEREST-BEARING LOANS AND BORROWINGS

		31/12/2018	31/12/2017
Non-current			
Bank borrowings – floating rate	14.1	132,348	77,842
Other borrowings	14.2/3	157,178	353,264
Finance lease liabilities		83	49
		289,609	431,155
Current			
Bank borrowings – floating rate	14.1	32,146	13,077
Other borrowings	14.2/3	49,266	65,792
Finance lease liabilities		0	0
		81,412	78,868
TOTAL		371,021	510,023

14.1. BANK BORROWINGS

During the year, the Company obtained new secured bank loans expressed in EUR and PLN and drew on existing credit facilities for a total amount of 82 MEUR, all Euribor and Wibor based. On the other hand, reimbursements and refinancings have been done for an amount of 8.3 MEUR, net of prolongation of a number of borrowings; bringing the total outstanding amount of bank borrowings to 164.5 MEUR (compared to 90.9 MEUR at 31/12/2017).

When securing debt finance for its (larger) projects, the Company always negotiates long-term agreements with its banks. Under these agreements, the bank swaps land acquisition loans (2-year term) into development loans (additional 2 year term) and swaps development loans into investment loans (mostly 5 years term) upon the fulfilment of pre-agreed conditions.

Most banking partners of the Company have accepted the above as a “framework” for past, current and future co-operation.

For the purpose of these financial statements, the Company treated its bank borrowings (or the maturing part of it) as current when the swap date from “acquisition loan into development loan” falls within the next accounting year (see Note 1.18 and 2.1.2.).

At 31 December 2018, the Company has bank loans available to be drawn for a total amount of 218.4 MEUR which is merely a result of the Company entering into a construction and facility agreement of 221.1 MEUR for the financing of the construction of the (mixed use office, hotel and retail) Warsaw Hub project through its subsidiary Ghelamco GP 11 Sp. z o.o. the Hub SKA.

With respect to the outstanding short-term borrowings, it is to be mentioned that the loan related to the Big project in Krakow (16.6 MEUR) has actually been reimbursed at the moment of sale of the project, in January 2019. In addition, in the course of 2019, part of reming short-term ebt will actually be reimbursed following the contractual terms and part will be prolonged or refinanced (e.g. through a swap to investment loan).

Summary of contractual maturities of external bank borrowings, including interest payments.

	31.12.2018				31.12.2017			
	<1 y	between 2 and 5 y	>5y	total	<1 y	between 2 and 5 y	>5y	total
Credit institutions withdrawn credits	36,521	141,552	0	178,073	16,267	61,871	24,730	102,867
Financial lease				0				0
Total	36,521	141,552	0	178,073	16,267	61,871	24,730	102,867
Percentage	21%	79%	0%	100%	16%	60%	24%	100%

BANK BORROWINGS BY CURRENCY

Main part of external bank borrowings are Euro denominated except for Postępu, Foksal and some VAT financing (PLN loans).

INTERESTS ON BANK BORROWINGS – INTEREST RATE RISK

Interests on land acquisition and development loans are considered as floating since the variable component of the interest formula will always be fixed for a period not superseding one year.

On 31 December 2018, the Company had three outstanding investment loans:

- Wronia SKA: 40,715 KEUR loan granted by Alior Bank SA, bearing an Euribor 3M based (+3.25% and 2.75% margin) interest rate. The debt is serviced by the rental income of the property (Wronia 31).
- Dahlia SKA: 31,336 KEUR loan granted by PKO Bank Polski, bearing an Euribor 1M based (+2.95% margin) interest rate. The debt is serviced by the rental income of the property (Woloska 24).
- Vogla SKA: 2,382 KEUR loan granted by Bank BGZ BNP Paribas, bearing an Euribor 1M based (+ 2.75% margin) interest rate. The debt is fully serviced by the rental income of the property (Willanow Retail).

Depending on the project and the securities required by the bank, following margins on floating rates are applicable in Poland: between 2.25% and 4.60%.

Loans for the pre-financing of VAT in Poland are expressed in local currency.

INTEREST SENSITIVITY ANALYSIS

An increase/decrease of 100 basis points in the (average) interest rates on the floating rate bank debt at the reporting date, with all variables held constant, would have resulted in a 1,280 KEUR lower/higher profit before tax for 2018.

14.2. OTHER BORROWINGS: BONDS (146,042 KEUR LONG-TERM – 41,013 KEUR SHORT-TERM)

The Company has in the current period (on 16 June 2018, via Ghelamco Invest Sp. z o.o.) within its pending programmes issued public retail bonds (tranche PJ) for a total amount of 9,080 KPLN. These bonds have a term of 3 years and bear an interest of Wibor 6 months

+ 3.65%. The bonds series is secured by a guaranty granted by Granbero Holdings Ltd.

The proceeds of the above bond issues have been applied to redeem other/existing outstanding bonds, to service the (interests on) the resp. bond programs and for the financing of the Company's further investment projects within the Warsaw metropolitan area, in Wroclaw or Katowice.

The Company has in the current period redeemed outstanding bonds (partly through early redemption, partly on maturity date) for an amount of 222,260 KPLN and 6,320 KEUR.

The effect of the evolution in the PLN/EUR exchange rate on the net movement in outstanding bonds amounts to 7.4 MEUR (negative).

Total bonds balance outstanding per balance sheet date (187,055 KEUR) represents the amount of issue (813.9 MPLN) less capitalized issue costs, which are amortised over the term of the bonds.

Summary of contractual maturities of bonds, including interest payments:

	31.12.2018				31.12.2017			
	<1 y	between 2 and 5 y	>5y	total	<1 y	between 2 and 5 y	>5y	total
Bonds	51,703	156,846	0	208,550	72,750	212,458		285,208
Total	51,703	156,846	0	208,550	72,750	212,458	0	285,208
Percentage	18%	55%	0%	73%	26%	74%	0%	100%

INTEREST SENSITIVITY ANALYSIS

An increase/decrease of 100 basis points in the (average) interest rates on the floating rate bonds debt at the reporting date, with all variables held constant, would have resulted in a 2,209 KEUR lower/higher profit before tax for 2018.

14.3. OTHER BORROWINGS: OTHER (11,219 KEUR LONG-TERM - 8,253 KEUR SHORT-TERM)

31/12/2018 - 19,472 KEUR

The other borrowings in KEUR as at 31 December 2018 included the following related party balances:

- Peridot SL: 4,972 KEUR;
- Salamanca Capital Services: 1,279 KEUR;
- Ghelamco Poland Sp. z o.o.: 4,890 KEUR;

And also:

- 4,750 KEUR short-term loan from a third party investor, related to a specific Polish project, maturing on 30/06/2019 and bearing an interest rate of 5.50%;
- 3,488 KEUR short-term loan from a third party investor, related to a specific Polish project.

The significant decrease in related party loans compared to last year goes together with the transfer to Milovat Ltd, Cypriot cash pool and financing entity of the Granbero group, of a significant amount of related party loans receivable (and related accrued interests, for a total combined amount of 280 MEUR) which Peridot SL (Spain) held towards Polish SPVs. Subsequently, the resulting Peridot receivable towards Milovat has been compensated with the existing Peridot loans payable balance towards Milovat.

31/12/2017 - 170,438 KEUR

Other borrowings in EUR at 31 December 2017 include following related party balances:

- Peridot SL: 162,736 KEUR
- Salamanca Capital Services : 136.5 KEUR
- Wuza 3 (formerly Ghelamco Warsaw Spire WS spk): 1,020 KEUR

And also:

- 2,750 KEUR short-term loan from a third party investor, related to a specific Polish project, maturing on 30/06/2018 and bearing an interest rate of 5%;
- 3,586 KEUR short-term loan from a third party investor, related to a specific Polish project.

INTEREST SENSITIVITY ANALYSIS

An increase/decrease of 100 basis points in the (average) interest rates on the interco debt at the reporting date, with all variables held constant, would have resulted in a 1,895 KEUR lower/higher profit before tax for 2018.

14.4. MISCELLANEOUS INFORMATION

No defaults of payments or breaches of borrowing agreements occurred as of 31 December 2018.

- Bank borrowings are secured by amongst others the property development projects of the Company, including land and in-process construction, pledge on SPV shares, etc. For corporate guarantees and/or suretyship agreements issued by Granbero Holdings Ltd on bank loans, reference is also made to note 25.1. The loan agreements granted by the banks are sometimes subject to a number of covenants (Loan to Value, Loan to Cost, Debt Service Cover). During the year and per end of the year, there were no events of default in respect of these borrowings.
- The bonds are secured by a redemption surety granted by Granbero Holdings Ltd. (the Company). In addition, the terms and conditions of the bond issues have been complied with as of balance sheet date. In this respect, reference is made to the related bi-annual covenant testing which is published on the Company's website.

The observed evolution in the above financial debt includes an immaterial amount of non-cash movements, related to capitalized transaction costs which are amortized over the duration of the debts.

The effect of initially applying IFRS 9 on the Company's financial instruments is described

in note 1.3 above. Due to the transition method chosen, comparative information has not been restated to the new requirements:

15. FINANCIAL INSTRUMENTS

Financial instruments (x € 1 000)					31/12/2018
	FVTPL	FVOCI	Measured at amortised cost/fin. liabilities measured at amortised cost	Fair value	Fair value level
Other financial investments					
Other financial assets			139	139	2
Non-current receivables					
Receivables and prepayments			316,658	316,658	2
Restricted cash					
Current receivables					
Trade and other receivables			149,783	149,783	2
Derivatives					
Cash and cash equivalents			32,313	32,313	2
Total Financial Assets	-	-	498,893	498,893	
Interest-bearing borrowings - non-curr.					
Bank borrowings			132,348	132,348	2
Bonds			146,042	147,031	1
Other borrowings			11,219	11,219	2
Finance lease liabilities					
Interest-bearing borrowings - current					
Bank borrowings			32,146	32,146	2
Bonds			41,013	42,388	1
Other borrowings			8,253	8,253	2
Current payables					
Trade and other payables			39,032	39,032	2
Total Financial Liabilities	-	-	410,053	412,417	

The table below summarizes all financial instruments by category in accordance with IAS 39 and discloses the fair values of each instrument and the fair value hierarchy:

Financial instruments (x € 1 000)					31/12/2017
	At fair value through P/L-held for trading	Available for sale	Loans and receivables/fin. liabilities at amortised cost	Fair value	Fair value level
Other financial investments					
Other financial assets			193	193	2
Non-current receivables					
Receivables and prepayments			461,405	461,405	2
Restricted cash					
Current receivables					
Trade and other receivables			190,142	190,142	2
Derivatives					
Cash and cash equivalents			88,228	88,228	2
Total Financial Assets	-	-	739,968	739,968	
Interest-bearing borrowings - non-curr.					
Bank borrowings			77,842	77,842	2
Bonds			189,210	193,694	1
Other borrowings			164,102	164,102	2
Finance lease liabilities					
Interest-bearing borrowings - current					
Bank borrowings			13,077	13,077	2
Bonds			59,455	60,228	1
Other borrowings			6,336	6,336	2
Current payables					
Trade and other payables			38,752	38,752	2
Total Financial Liabilities	-	-	548,775	554,031	

The above table provides an analysis of financial instruments grouped into Levels 1 to 3 based on the degree to which the fair value (recognized on the statement of financial position or disclosed in the notes) is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.
- The fair values of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

16. DEFERRED TAXES

The fair value of interest bearing liabilities does not materially differ from carrying amount, since all of them are floating interest bearing debts. The fair value of long term interest bearing debts (in absence of published price quotations in an active market) is calculated as the present value of cash flows discounted at the relevant current market interest rates adjusted for a company-specific margin. The fair value of short-term interest bearing debts and floating interest-bearing debts is assumed to be equivalent to their carrying amount.

We also refer to note 9.1 for the description of the fair value determination.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. Deferred taxes arise mainly from the temporary differences in respect of valuation of IP(UC), external borrowing costs capitalized and tax losses carried forward.

in thousands €	31/12/2018	31/12/2017
Deferred tax assets	2,671	5,602
Deferred tax liabilities	-25,909	-15,826
TOTAL	-23,238	-10,224

Deferred tax assets/(liabilities) arise from the following:

In thousands €	Temporary differences		Unused tax losses and credits	
	Investment property	Other	Tax losses	Tax credits
Balance at 1 January 2017	-18,446	-2,400	3,038	-
Recognised in income statement	8,954	-796	-56	
Recognised in other comprehensive income				
Recognised directly in equity				
Reclassified from equity to profit or loss				
Acquisitions				
Disposals				
Other		-518		
Balance at 31 December 2017	-9,492	-3,714	2,982	-
Recognised in income statement	-6,650	-8,802	2,342	
Recognised in other comprehensive income				
Recognised directly in equity				
Reclassified from equity to profit or loss				
Acquisitions				
Disposals				
Other		96		
Balance at 31 December 2018	-16,142	-12,420	5,324	-

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. Current year's increase in recognised unused tax losses is based on business plan analyses, supporting the expected recovery of these losses in the foreseeable future.

It is to be noted that the investment property related amount as recognised in the income statement of 2017 consisted of:

- a deferred tax expense of 5,817 KEUR on the one hand, and
- a gain of 13,919 KEUR which relates to the reversal of deferred tax liabilities in connection with the sale of the Warsaw Spire (12,494 KEUR) and the Przystanek mBank project (1,425 KEUR) and which has been presented in other income (as part of the net result on the sale of both projects).

The following deferred tax assets have not been recognized at the reporting date:

in thousands €	31/12/2018	31/12/2017
DTA on unused tax losses	7,242	425
DTA on unused tax credits		
TOTAL	7,242	425

Tax losses in the Polish SPVs can be carried forward for a period of 5 years. In this respect, no deferred tax assets have been recognized on tax losses carried forward in these SPVs to the extent it is deemed not probable that sufficient taxable profit will be available to allow the benefit of part of these tax losses.

The increase in not recognized deferred tax assets goes together with new and more stringent thin cap regulations which have become effective in Poland as from 1 January 2018 onwards.

Tax losses in the other countries can be carried forward for an indefinite period of time.

No deferred tax liability has been recognized on undistributed profits in the subsidiaries. It should be noted that the distribution of dividends by Polish subsidiaries to the (Cypriot) Parent would generate no tax charge.

Other non-current liabilities relate to a significant extent (6,185 KEUR) to deferred income connected with the residential sales on the Foksal project.

17. OTHER NON-CURRENT LIABILITIES

Trade and other payables are analysed as follows:

18. TRADE AND OTHER PAYABLES

	31/12/2018	31/12/2017
Trade payables: third parties	1,872	4,783
Trade payables: related parties	34,076	12,740
Related parties current accounts payable	0	3,935
Misc. current liabilities	5,662	17,688
Deferred income	669	1,126
Current employee benefits	12	0
Total trade and other payables	42,291	40,272

Trade payables towards related parties include amongst others the amounts payable to the Service Holding for construction and engineering coordination services received.

On 31/12/2018, the trade payables include 34,076 KEUR towards related parties (vs. 12,740 KEUR last year), as follows:

- Apec Ltd: zero (260 KEUR last year)
- Ghelamco Poland Sp. z o.o: 33,485 KEUR (11,756 KEUR last year)
- Others: 591 KEUR (789 KEUR last year)

The increase in the related parties trade payables is mainly observed in the outstanding balance with Ghelamco Poland and is mainly connected with significant construction works on projects carried out during the last months of the year (which is, in turn, related to the construction stage of the projects). Main projects under construction per year-end are The Hub and the Warsaw Unit.

Last year's outstanding balance on related parties C/A payable (3,934 KEUR) was almost fully towards Ghelamco Poland Sp.z.o.o.

Miscellaneous current liabilities mainly relate to interest payable (2 MEUR in total, fully to third parties), rental guarantee provisions (1.0 MEUR in total), VAT payable (1.4 MEUR), and some accruals and others. The decrease compared to last year is mainly related to the decrease in interest payables which dropped from 11.9 MEUR to 2 MEUR.

As was also the case last year, the outstanding deferred income balance mainly relates to deferred income from sales in the Woronicza QBik residential project (184 KEUR) and some deferred rent income on commercial projects.

Trade payables are non-interest bearing and are settled in accordance with the contractual terms. The carrying amounts of trade and other payables approximate their fair value as those balances are short-term.

19. CURRENT TAX LIABILITIES

Current tax payables can be allocated to the following countries (in KEUR):

- Luxembourg: 456 KEUR (vs 288 KEUR in 2017)
- Cyprus: 1,007 KEUR (vs 1,069 KEUR in 2017)
- Poland: 3 KEUR (vs 25 KEUR in 2017)

20. REVENUE

REVENUE IS MAINLY GENERATED FROM THE FOLLOWING SOURCES:

in thousands €	31/12/2018	31/12/2017
Sales of Residential Projects	3,145	5,138
Rental Income	8,975	16,563
TOTAL REVENUE	12,102	21,701

Rental income as of 31 December 2018 relates to rent from commercial projects (mainly Woloska 24, Wronia 31 and Willanow Retail). The significant decrease compared to

prior year is mainly connected to the sale of the Warsaw Spire to Ghelamco European Property Fund end of June 2017. Warsaw Spire rental income in the comparable period ended 31 December 2017 amounted to 9.8 MEUR.

The residential projects revenue as of 31 December 2018 relates to

- the sale of residential (and some commercial) units in the Woronicza Qbik project, Warsaw (with a sales rate of over 98%) for 1,973 KEUR (vs 3,981 KEUR in prior year) and
- the sale of a plot at Marynarska 12, Warsaw.

OVERVIEW OF FUTURE MINIMUM RENTAL INCOME

The cash value of future minimum rental income until the first expiry date of the non-cancellable leases is subject to the following collection terms:

in thousands €	31/12/2018	31/12/2017
Future minimum rental income:		
Less than 1 year	9,276	5,228
Between 1 and 2 years	9,235	8,231
Between 2 and 3 years	8,354	8,527
Between 3 and 4 years	7,325	7,737
Between 4 and 5 years	2,486	5,990
More than five years	2,826	3,841
TOTAL FUTURE MINIMUM RENTAL INCOME	39,502	39,554

The future minimum rental income remained stable compared to prior year.

21. OTHER ITEMS INCLUDED IN OPERATING PROFIT/LOSS

OTHER OPERATING INCOME AND EXPENSES IN 2018 AND 2017 INCLUDE THE FOLLOWING ITEMS:

	2018	2017
Other operating income		
Net gains on disposal of investment property		8,047
Other	13,075	5,993
Net gains on disposals of property, plant and equipment		
TOTAL	13,075	13,980

Current year's other operating income mainly relates to some fit-out re-charges to tenants (7.9 MEUR, mainly on Big and Wronia), the release to the profit and loss statement of the previously booked provision for rental guarantees connected to the Warsaw Spire sale of last year (3.3 MEUR) and some re-charges to related parties (0.9 MEUR).

Previous year's other operating income mainly related to the gain on disposal of the Warsaw Spire (6.5 MEUR), the gain on disposal of the Przystanek mBank project (1.5 MEUR), some fit-out recharges to tenants (3.0 MEUR) and recharges to related parties (1.2 MEUR).

	2018	2017
Gains from revaluation of Investment Property	38,413	30,427

Fair value adjustments over 2018 amount to 38,413 KEUR, which is mainly the result of current year's further engineering, development, construction and leasing efforts, in combination with evolution in market conditions (in terms of yields and rent rate levels). Main fair value adjustments have been recognised on the HUB, Wronia, the Big project and the Plac Vogla retail park.

	2018	2017
Other operating expenses		
Operating lease/ rental expenses	797	93
Taxes and charges	567	1,524
Insurance expenses	48	65
Audit, legal and tax expenses	970	1,199
Promotion	1,019	505
Sales expenses (agency fees and w/o agency fees)	1,258	1,675
Rental guarantee expenses	477	2,691
Maintenance and repair expenses (projects)	823	1,878
Operating expenses with related parties	12,038	8,392
w/o remaining Sentor earn-out		223
w/o VAT receivable		2,337
Merger losses		247
PPA mBank sale	1,493	
Miscellaneous	1,097	2,576
Total	20,587	23,405

Other operating expenses with related parties to a significant extent concern fit-out expenses charged by Ghelamco Poland (and afterwards further re-charged to tenants). The increase compared to last year is explained by the fact that in current year more

fit-out expenses have been incurred (and recharged; which is in turn connected to the stage and size of ongoing projects).

Current year's maintenance expenses and taxes and charges have decreased in connection with the sale of the Warsaw Spire mid 2017, having a full impact on the current year's other operating expenses.

Current period's other operating expenses also include the impact of a purchase price adjustment on the sale of mBank realised end of 2017 (1,493 KEUR).

Last year's relatively high rental guarantee expenses mainly related to the recognition of a rental guarantee provision for an amount of 2.3 MEUR in connection with the Warsaw Spire project, which was sold mid 2017.

22. COST OF PROPERTY DEVELOPMENT INVENTORIES

The various items comprising the costs of Property Development Inventories are as follows:

	2018	2017
Movement in inventory	5,652	4,939
Purchases (*)	-6,166	-10,130
	-514	-5,191

(*) See Note 27.2: Purchases (mainly from related parties) related to Investment Property projects are not included in the above purchases, as those have directly been recorded on IP. It concerns an amount of 94,513 KEUR (vs 69,039 KEUR in 2017).

23. FINANCE INCOME AND FINANCE COSTS

The various items comprising the financial income and financial costs are as follows:

	2018	2017
Foreign exchange gains		4,684
Interest income	16,588	20,331
Other finance income		
Total finance income	16,588	25,015
Interest expense	-12,773	-27,143
Other interest and finance costs	-1,594	-3,037
Foreign exchange losses	-4,622	
Total finance costs	-18,989	-30,180

It is to be noted that interest expenses related to (not yet delivered) Investment Property projects are not included in the above 2018 and 2017 figures, as those have directly been capitalized on IP. It concerns an amount of 12,376 KEUR (vs. 8,490 KEUR last year).

Interest expenses mainly relate to interests on bank loans, bonds and on other (Peridot, related party) loans.

The interest expenses decreased significantly compared to last year, mainly due to the

sale of the (delivered and operational) Warsaw Spire project as per mid 2017.

Interest income mainly includes interests on loans to related parties.

It is to be mentioned that main part of the exchange differences is unrealized (and connected with the conversion of outstanding loans). It concerns a snapshot per year-end, impact of which mainly depends on the evolution of the EUR/PLN exchange rate.

Current period's financial result includes an amount of (mainly unrealized) FX losses, connected with the relative weakening of the PLN vs. the EUR; while last year's financial result was significantly impacted by FX gains (mainly related to the conversion at spot rate of the (EUR) bank loans).

Other finance costs mainly include (the amortization of capitalized) bond issue and bank(re-)financing expenses.

All financial income and expenses mentioned in the table above are related to financial instruments measured at amortized cost.

24. INCOME TAXES

Income tax expense recognized in the consolidated income statement:

	31.12.2018	31.12.2017
Current income tax	842	1,872
Deferred tax	13,110	5,817
Total	13,952	7,689

The tax charge on the Company's result before taxes differs from the theoretical amount that would have resulted from applying the average applicable tax rates to the profits of the consolidated companies.

The income tax expense for the period can be reconciled to the accounting profit as follows:

in thousands €	31.12.2018	31.12.2017
Result before income taxes	39,747	32,014
Income tax expense/gain calculated at 19%	7,552	6,083
Effect of different tax rates in other jurisdictions	-1,079	1,426
Effect of non-deductible expenses	4,084	2,705
Effect of revenue that is exempt from taxation	-1,077	-5,437
Effect of use/recognition of previously unrecognized tax losses	-4	-413
Effect of current year losses for which no DTA is recognized	6,065	72
Effect of tax incentives not recognized in the income statement	-1,952	-715
Effect of under/over-accrued in previous years	202	4,058
Other	161	-90
INCOME TAX EXPENSE RECOGNISED IN INCOME STATEMENT	13,952	7,689

25. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The theoretical tax rate used for the above reconciliation is the (Polish) statutory corporate tax rate of 19% payable by corporate entities in Poland on taxable profits under tax law. The increase in effect of not recognized deferred tax assets goes together with new and more stringent thin cap regulations which have become effective in Poland as from 1 January 2018 onwards.

25.1. (BANK) GUARANTEES

All external borrowings of the subsidiaries are secured by corporate guarantees and/or suretyship agreements issued by Granbero Holdings Ltd. These guarantees cover cash deficiency risk, cost overrun, completion risk and interest & repayment shortfall risk. No calls on the guarantees were made in 2018 and 2017.

Company	Project name	Amount of bank loan-books (KEUR)		Corporate guarantees as per 31/12/2018 (KEUR)	
POLAND					
					Guarantee by Granbero Holdings Ltd.
The HUB SKA	HUB	EUR	46,896	46,896	Corporate guarantee
Wronia SKA	Wronia	EUR	40,726		Suretyship, cash deficiency
SBP SKA	Wroclaw Business Park	EUR	5,850	5,850	Corporate guarantee, cash deficiency
Isola SKA	Grzybowska 77	EUR	5,700	5,700	Suretyship agreement
Vogla SKA	Plac Vogla	EUR	2,382	2,382	Corporate Guarantee
Dahlia SKA	Woloska 24	EUR	31,337		Suretyship and cash deficiency
Postępu SKA (*)	Postępu	EUR	3,256	3,256	Suretyship agreement
Azira SKA	Nowe Centrum Lodzi	EUR	8,100	8,100	Suretyship agreement
Canna SKA	.BIG	EUR	16,048	5,934	Suretyship agreement

(*): Bank loan itself is denominated in PLN

No corporate guarantees were given by the Company to ensure repayment of the bank loans of the related parties (under the common control of the ultimate shareholders) at 31 December 2018 (but not subsidiary of the Company).

The Company does not apply cross liability, meaning that Granbero Holdings Ltd does not guarantee loans of affiliates belonging to other Ghelamco holdings.

25.2. REPRESENTATIONS AND WARRANTIES PROVIDED WITH RESPECT TO THE REAL ESTATE PROJECTS SOLD

As a seller of shares of its subsidiaries, the Company acts as a guarantor with respect to the representations and warranties contained in the real estate sales contracts concluded in the past. This mainly concerns representations regarding the title on shares, property, permit matters, technical matters, financial matters, tax matters and contractual matters. The Company's liability for the breach of these representations and warranties generally covers a period of 2 to 3 years from the date of sale (except representations regarding the tax matters covering the period of five to seven years in accordance with local regulations).

Management's past experience shows that the Company receives very limited amounts of warranty claims on its properties. Based on its assessment of the risk, the Company has not deemed it necessary to recognize any provision for representations and warranty obligations.

25.3. GUARANTEES RECEIVED FROM THE CONTRACTORS

The statutory warranty obligations of construction service providers cover the risk of structural and other defects of the properties. Construction service providers (including related parties of the Company) in Poland have a legal obligation to remediate any structural defects that become apparent within the first five years after completion of the construction for structural elements. Shorter guarantee periods apply for other elements, depending on the nature of such elements (each sub-contractor bears similar "back-to-back" obligations).

25.4. SECURITIES ON ASSETS

Special Purpose Vehicles (SPV's) entering into external financing are offering following collateral:

- first ranking ceiling mortgage on the property belonging to the SPV (land + buildings);
- registered pledge on the borrower's shares;
- assignment of most receivables (inter alia leases, rents, sales, performance bonds, insurance income, ...);
- cash deficiency/cost overrun (letter of comfort) by the shareholder (if applicable);
- submission to execution.

No cross guarantees on assets have been granted by the different SPV's, nor other types of suretyships, cost overruns or debt service commitments.

26. COMMITMENTS

26.1. (CAPITAL) COMMITMENTS

(Capital and other) expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	2018	2017
Architectural and Engineering contracts	13,846	13,381
Construction contracts	208,592	163,392
Purchase of land plots	0	0
Acquisition of shares (connected with landbank)	0	0
Total	222,438	176,774

ACQUISITION OF CONTRACTS

At 31 December 2018, the Company has entered into a number of contracts with third parties for the acquisition of the following assets (land plots) or shares:

Binding contracts

None for plots of land for residential/commercial property development.

Non-binding contracts

Different other option contracts or rights to acquire property without the obligation for the Company to take up the property.

SERVICES AND (SUB)CONTRACTOR AGREEMENTS

As a developer of commercial and residential properties, the Company is committed to continue development of properties under the contracts with construction companies, often in cooperation with related parties of the Company.

As to the above architectural and engineering contracts and construction contracts, expenditures are spread over the coming 2 to 3 years, depending on management decision to move forward with the involved projects.

The Company in addition declares sufficient flexibility on the commitments, as significant part of those commitments are contracted with related party entities belonging to the Ghelamco Development Holding.

For the on-going construction contracts, the respective SPV's concluded binding construction financing contracts with different banks.

Main construction contracts in the above overview relate to the following projects:

- The Warsaw HUB (approx. 117,000 sqm mixed project): 114,940 KEUR
- Warsaw UNIT (approx. 60,0000 sqm office space): 84,855 KEUR
- Foksal (residential project of high-end appartments): 7,345 KEUR

26.2. OPERATING LEASE COMMITMENTS (LAND LEASE RIGHTS)

	2018	2017
Within 1 year	1,609	1,102
After 1 year but not more than 5 years	7,089	4,481
More than 5 years	123,578	74,381
	132,276	79,964

The Company has entered into non-cancellable operating leases for the land rights with basic lease terms of usually 99 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. The average lease-term per end 2018 is approx. 80 years. The above table includes all non-cancellable lease payments, undiscounted.

The increase compared to last year goes together with some upward revisions related to a number of sizable projects (mainly Wronia, Warsaw Unit and the HUB). Reference is also made to the impact of IFRS 16 as from 1 January 2019 onwards, as described in section 1.4. above.

27. RELATED PARTY TRANSACTIONS

26.3. RENTAL GUARANTEES

In connection with the sale of two office projects in 2014 (Marynarska 12/T-Mobile Office Park and Lopuszanska Business Park), and the sale of the mBank project in Krakow in 2017, rental guarantee and master lease agreements have been closed for resp. the (at the time of the sale) not leased office and parking space. Rental guarantee agreements have a period of 60 months, master lease agreements have a 84 months period.

In this respect, a rental guarantee provision of 1,000 KEUR in total has been recognized in the consolidated financial statements at 31/12/18 (vs. 4,300 KEUR at 31/12/2017).

The Company is together with the other Ghelamco Group (sub-)holdings, the Service Holding and the Portfolio Holding – all related parties – under common control of the ultimate shareholders, Mr. & Mrs. Gheysens.

Balances and transactions between the Company and its subsidiaries have been eliminated in consolidation and are not disclosed in this note. Details of transactions between the Company and other related parties (belonging to the Investment & Development Holding, the Service Holding and the Portfolio Holding) are described below.

27.1. RELATIONSHIPS WITH THE DIRECTORS AND MANAGEMENT

For the year ending 31 December 2018, the Consortium (of which the Company is part) paid a total amount of approx. 12,000 KEUR (vs. 10,000 KEUR last year) to the members of the board and management committee. This amount includes management service fees charged by the Management Committee members to the legal entities included in the scope of these consolidated financial statements.

This amount comprises the full compensation. No other short- or long-term benefits, stock option plans or other post-employment benefits have been granted to the members of the board and the management committee.

27.2. TRADING TRANSACTIONS: PURCHASE OF CONSTRUCTION, ENGINEERING AND OTHER RELATED SERVICES FROM RELATED PARTIES

CONSTRUCTION AND DEVELOPMENT SERVICES

The Company has entered into property development and construction contracts with property development and construction companies (“Contractors”) – the indirect subsidiaries of the Service Holding (International Real Estate Services Comm. VA (parent company of Ghelamco’s “Service Holding”):

- Ghelamco Poland with its registered office in Warsaw;

This entity provides services to the real estate companies of the Company, in accordance with the terms of the property development contracts, including but not limited to:

- obtaining pre-approvals and design documents necessary to the development of the project;
- performing construction works in accordance with the required permits, approvals, regulations, plans and specifications;
- ordering materials and equipment necessary for completion of the construction works;
- entering into contracts with utility providers, other entities and authorities, enabling exploitation of the constructed buildings;
- obtaining required occupancy permits;
- ensuring compliance with local regulations, namely regarding safety, fire protection, labour and health conditions, construction law;
- maintaining insurance in relation to the construction works throughout the entire construction period.

In accordance with the conditions of the property development contracts, the Contractor has the right to use building sites during the entire period of construction. The Contractor transfers this right to use the site, together with the developed buildings, to the Company after the occupancy permit has been granted by the local authorities or after signature of the building's delivery protocol between the Company's real estate company and the Contractor. The Contractor retains an obligation to remedy all defects noted in the minutes of hand-over from the Company to the company and its tenants (when tenants take possession of their premises).

Construction service providers (including Contractors) in Poland have a legal obligation to bear repair costs of any construction defects that become apparent within a warranty period after the construction is completed. The Contractors have an obligation to remedy all structural construction defects that become apparent during the statutory warranty period of 5 years in Poland.

The price for the construction and other related services is the fixed price agreed at the inception of the contract. The payments are executed based on the invoices issued on a bi-weekly to monthly basis. With regards to completed and handed-over works, the parties sign a works protocol every fortnight to month after approval by an independent project monitor appointed by the external financial party. The prices for the services reflect normal commercial terms and conditions, with average margins of around 10% to 20%.

ENGINEERING AND ARCHITECTURAL DESIGN SERVICES

APEC Architectural Engineering Projects Limited (a limited liability company registered under the laws of Ireland) and Safe Invest Sp. z o.o (a limited liability company registered under the laws of Poland), both direct and indirect legal subsidiaries of International Real Estate Services Comm. VA, the parent company of Ghelamco's "Service Holding") coordinate engineering and architectural design services provided to the Company in accordance with terms of the respective contracts. Purchases of services from Apec Ltd and Safe Invest Sp. z o.o exceed 80% of all engineering, architectural design and other related services acquired by the Company. These services include:

- detailed functional, technical, structural and surface-related programmes and finishing work;
- assistance in selection of engineers in charge of assignments;
- detailed preliminary architectural project and establishment of the building project in accordance with the local statutory requirements;
- establishment of all documents, permit application and verification and obtaining

- all approvals required to submit a building permit application and submission of a building application;
- detailed architectural implementation plan, coordination of the technical studies, definition of specifications and details;
- supervision of the work during the entire construction period;
- assistance during the preliminary acceptance and with obtaining the operating permit;
- commercial costs;
- legal and financial advisory.

The price of these services is determined during the feasibility phase of the property development project as a function of the investment value of the project (excluding cost to acquire land) and is usually fixed at 11.5% of the construction value of the project. This fee is paid by a real estate development entity upon achievement by Apec Ltd or Safe Invest Sp. z o.o of the milestones agreed in the contract (approval of the preliminary design, submission of the building permit file, implementation file, achievement of commercial goals, etc.). The prices for the services reflect normal commercial terms and conditions as locally in place.

27.3. ACQUISITIONS AND DISPOSALS OF SHARES AND OTHER RELATED PARTY TRANSACTIONS

2018

During 2018 there have been no share transactions with related parties.

End December 2018, a significant amount of related party loans receivable (and related accrued interests, for a total combined amount of 280 MEUR) which Peridot SL (Spain) held towards Polish SPVs, have been transferred to Milovat Ltd, Cypriot cash pool and financing entity of the Granbero group. And subsequently the resulting Peridot receivable towards Milovat has been compensated with the existing Peridot loans payable balance towards Milovat. These transactions have been executed in connection with a reorganisation process which is in first instance meant to increase interco financing efficiency and to further simplify the group structure.

2017

On 29 June 2017, the Warsaw Spire project was sold to Ghelamco European Property Fund NV at a transaction value of 540 MEUR in total. For this purpose, Granbero Holdings Ltd entered into an agreement with Ghelamco European Property Fund NV to sell 100% of the shares in Stareti Holdings Ltd (in turn parent company of the SPVs holding the (3 parts of the) Warsaw Spire project).

In the course of 2017 (100% of) the shares of Milovat Ltd (empty shelf company) have been acquired by the Company for an amount of 1 KEUR. As of end November 2017, the capital of Milovat Ltd has been increased through contribution in kind by Granbero Capital SA (Luxemburg branch of Granbero Ltd) of its portfolio of intercompany loans receivables (and related outstanding interest receivables) by an amount of 480 MEUR. Subsequently, Granbero Capital SA has been closed, resulting in the fact that Granbero Capital's participation in Milovat has been allocated to the Company and that from 30 November 2017 onwards the former (interco) financing activities of Granbero Capital SA

have been taken over by Milovat Ltd.

For the remainder, no other significant transactions with related parties took place in 2017.

OTHER

The excess cash balances generated by the Company's real estate development activities can, besides being reinvested in the entities belonging to the Investment and Development Holding, to an extent and within the requirements of the terms and conditions of the recent bond issues, also invested in entities belonging to the Ghelamco Service Holding and Portfolio Holding in form of short and long-term loans. These loans are granted at the arm's length conditions.

Above described related party transactions and balances can be detailed as follows:

	31/12/2018	31/12/2017
Purchases of construction, engineering and architectural design:	-93,981	-81,469
Related party trade receivable	1,490	2,442
Related party trade accounts payable	-34,076	-12,740
Related party non-current loans receivable	307,458	456,420
Related party interests receivable	28,278	70,299
Related party C/A receivable	112,350	112,518
Related party non-current loans payable	-11,136	-164,053
Related party interests payable	-8	-8,272
Related party C/A payable	0	-3,935

28. EVENTS AFTER BALANCE SHEET DATE

The Big project (10,200 sqm office space in Krakow) has on 17 January 2019 been sold to Crédit Suisse. The sale was structured as an enterprise deal (assets and related liabilities), based on a transaction value of the project of 32.9 MEUR and a yield of 5.59%. At the moment of sale, the related bank financing (16.6 MEUR) has been reimbursed.

In Q1 2019 early redemption of bonds has been done for a total amount of 6,370 KPLN.

On the other hand, end February 2019 Ghelamco Invest Sp. z. o. o. issued bonds to institutional investors (series PK) for a total amount of 138,188 KPLN. Additionally in March 2019, bonds to institutional investors (series PL) were issued for a total amount of 49,350 KPLN. These bonds have a 3-year maturity and bear an interest rate of wibor 6m + 4.5%. Also early March 2019, the decision was taken to issue 60 MPLN retail bonds under the Company's current prospectus. Per date of the current report, these bonds were fully subscribed (PPM series of 34,878 KPLN and PPN series of 24,924 KPLN, both with a 3-year maturity and a wibor 6m + 4.25% interest). Issue date is on 29 March 2019.

29.
AUDITOR'S
REPORT

Deloitte.



Granbero Holdings Ltd

Independent auditor's report to the shareholders' meeting for the year ended
31 December 2018 - Consolidated financial statements

Independent auditor's report on the consolidated financial statements of Granbero Holdings Ltd for the year ended 31 December 2018 - Consolidated financial statements

We are pleased to report to you on the audit assignment which you have entrusted us. This report includes our report on the consolidated financial statements of Granbero Holdings Ltd ("the company") and its subsidiaries (jointly "the group"). This report includes our report on the consolidated financial statements together with our report on other legal and regulatory requirements. These reports are one and indivisible.

Report on the consolidated financial statements

Unqualified opinion

We have audited the consolidated financial statements of the group, which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated statement of financial position shows total assets of 1 173 613 (000) EUR and the consolidated income statement shows a consolidated net profit for the year then ended of 25 795 (000) EUR.

In our opinion, the consolidated financial statements of Granbero Holdings Ltd give a true and fair view of the group's net equity and financial position as of 31 December 2018 and of its consolidated results and its consolidated cash flow for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Basis for the unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISA), as applicable in Belgium. In addition, we have applied the International Standards on Auditing approved by the IAASB applicable to the current financial year, but not yet approved at national level. Our responsibilities under those standards are further described in the "Responsibilities of the statutory auditor for the audit of the consolidated financial statements" section of our report. We have complied with all ethical requirements relevant to the statutory audit of consolidated financial statements in Belgium, including those regarding independence.

We have obtained from the management and the company's officials the explanations and information necessary for performing our audit.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management for the preparation of the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium and for such internal control as the management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the management is responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters to be considered for going concern and using the going concern basis of accounting unless the management either intends to liquidate the group or to cease operations, or has no other realistic alternative but to do so.

Responsibilities of the independent auditor for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

During the performance of our audit, we comply with the legal, regulatory and normative framework as applicable to the audit of consolidated financial statements in Belgium.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Zaventem, 28 March 2019

The independent auditor



Deloitte Bedrijfsrevisoren/Réviseurs d'Entreprises CVBA/SCRL
Represented by Rik Neckebroeck

Deloitte.

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